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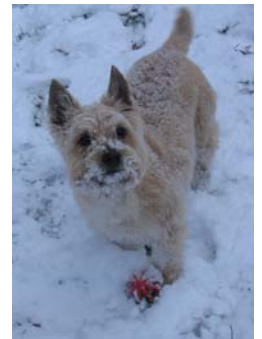
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*I love playing in the snow with my people.
I hope you take the time to do things that
bring you joy at this festive time of year!*



December 2011

Preparing For Year-End

December is busy month in most households so thinking about taxes is usually not a high priority! Generally, to count on your 2011 taxes, income must be received and expenses paid by the end of the year. Here are a few reminders about charitable giving and itemized deductions. Who qualifies to take these “write-offs”? The tax system is set up to give everyone a basic, standard deduction designed to benefit the average taxpayer and simplify tax preparation. However, when a taxpayer has made certain payments during the year that exceed the standard deduction, then the taxpayer can choose to itemize.

Mortgage Interest and Property Taxes usually are large expenses and will qualify most taxpayers to itemize. Pay your January 2012 mortgage payment in December 2011 to claim more interest expense in 2011. If you didn't pay your property tax in full in November, make another payment before the end of the year to include it in your itemized deductions. *Paying your 4th Quarter State Estimated Tax Payment by 31 December will qualify you to count it as an itemized deduction.*

All gifts to qualified charities and churches made by the end of the year will usually count as an itemized deduction. Mail it in time for the charity to receive it before the last few days of the month. Some organization will tell you their processing deadline. Also, if you are donating clothing, furniture, household goods, etc., get them to the organization by the end of the year – after you have made a list of the items and a donation value for each. Get a receipt from the receiving group and attach it to your list. Alternatively, you can use the record-keeping log sheets we provide on our website: www.mrbilltaxman.com.

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We have updated our website. Several previous newsletter issues are available, noncash donation log sheets in an easy-to-print format, updated information on rentals and business entities. We also maintain links to the IRS, Social Security and ODR websites.

Rental Property Update

For 2011 taxes, IRS will require additional information regarding all rental properties on Schedule E. Owners of rental properties – homes, apartments, vacation, commercial, land, etc. – **must provide the following information, organized by each property:**

- ◆ Type of Rental Property
- ◆ Number of Days Rented at Fair Rent Value
- ◆ Number of Personal Use Days
- ◆ Is it considered a “Joint Venture” between husband and wife.

This last point relates to rentals as a Business Venture, where both spouses jointly own and operate a rental real estate business. Joint ownership of rental property doesn't necessarily mean a business exists.

Personal Use of rental property includes days you, family members and/or friends stayed in the unit/house paying no rent and days it was rented at less-than-fair-market rates. Days spent renovating and/or repairing rental property (when it is vacant) do not count as personal use days.

Annual Gifting

\$13,000.00 remains the maximum gift amount you may give to another individual without having to file a gift tax return. The dollar amount applies both to cash and non-cash gifts. You and your spouse may each gift the maximum to the same individual, as well as to his or her spouse. If you are interested in transferring title to property to your child or another person, come in and see Bill before you do anything. There are serious tax consequences to some gifts.

Quarterly Estimates

Please contact us if you need help calculating your 4th quarter estimated tax payment. The federal estimate is due Tuesday, 17 January 2012. The state payment is also due this date **UNLESS** you plan to take it as an itemized deduction; then it should be mailed by 31 December 2011.

Oregon Energy Credits

Oregon still offers energy credits for certain appliances, heating and water systems. To qualify you **MUST COMPLETE THE STATE APPLICATION FORM**. If you have not done this, go to the Tax News You Can Use page on our website and scroll down to the residential energy credit section. Without the state certificate, you cannot take the credit on your state return. The credit must be taken in the year the purchase is made.

Tax Organizers

If you are interested in a tax organizer to help you put together your 2011 tax materials, please contact Pam before the end of the year. There is no charge for this service.

1099-K Update

A 1099-K is a new tax reporting document that businesses and individuals who accept Merchant Bank Cards and other Third Party Payments will begin to receive. The IRS intends for these amounts to be reported separately from other sources of income on the appropriate schedules of the tax return. Apparently, a year's grace has been given before this will go into effect, meaning taxpayers have a year to organize their bookkeeping.

To review, Congress passed legislation requiring Merchant Card providers and Third Party Payers (like PayPal) to report monies paid out to businesses and individuals, to make sure income is being appropriately reported to the IRS. Earlier in the year, many taxpayers received letters asked for their Taxpayer ID and other information in preparation for the new reporting requirements. Merchant Card and other payers

Mileage Rates

IRS changed the allowable deduction for Medical, Business and Moving mileage on 1 July. As you prepare your tax information, please remember **we must have your mileage figures for January-June and July-December**.

Social Security Withholding

At this writing, we do not know if employee Social Security withholding at a reduced rate will be continued into 2012. If it is not, employees will notice a slightly lesser paycheck as the withholding will go back to 6.2% of gross pay after being 4.2% in 2011.

Self-employed entrepreneurs will get this break when they do their 2011 tax return.

will report the "Gross Amount" of payments to the taxpayer or business on a form 1099-K.

Many questions were being raised such as would income be doubled-reported to the IRS. If your business had merchant services through a local bank, would you receive a 1099-K from both the bank and the Merchant Services provider? How would merchant fees and discounts be reported? How would a person or business audit the reporting and how would errors be addressed?

While the reporting lines are on the 2011 tax forms, taxpayers are not required to provide the information. 2012 Taxes are another story! We advise keeping track of your Merchant and Third Party Payer income just in case this regulation is not repealed. For assistance in setting up a bookkeeping system or for help in doing your books, please contact our office. We are well-suited to do small business accounting when only a few hours per month are all that is needed.