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## Client Information....January 2012

**Newsletter/Website/Blogging changes** We have reformatted our website recently and are including a blogging feature. We will be using this to help communicate with clients and others more efficiently. This communication will occur throughout the year and will cover items which have been covered in a newsletter as well as many items we wish we had space to include in a newsletter. We recommend you go to the website, [www.johngallocpa.com](http://www.johngallocpa.com) and subscribe to the RSS feed so that you will be notified of updates to the blog information. Also, we are expecting to significantly reduce the content of this newsletter and will consider discontinuing it and replacing the information with the blog.

**Reduction in Social Security withholding tax.** During 2011 there was a reduction of 2% in Social Security withholding taxes. This reduction was extended late in 2011 for the first two months of 2012. Everyone expects it to be extended for the rest of 2012, but we cannot predict what congress will do. Some complications were added for high income individuals. If you are self employed, you also benefit from this 2% reduction, but if it is not extended, there is no guidance yet on how it will be computed.

**1099 reporting.** We mentioned this last year - it has been kept a little too quiet, but if you own rental property you have a new reporting requirement. You must send a 1099 form to anyone who you pay more than \$600 to during the year. This could include plumbers, carpenters, handymen, lawn mowing service, management companies, and anyone else you pay money to. You must obtain an employer ID number or social security number from all these people before you pay them, usually on a form W9. This is effective for any money paid during 2011. You will have to prepare the 1099 forms prior to January 31, 2012. Penalties start at \$100 per unfiled 1099, so it is in your best interest to comply with this requirement. See me if you have any questions about this new requirement. This requirement is not expected to be repealed. Also there is a new question on all returns which involve business activities and rentals. It asks if you should have sent 1099's to anyone and if you did in fact send them. We will have to answer that question, so make sure you are sending 1099 forms to all those who should get one. Talk to me if you have questions, or need assistance.

**Organizers and Appointments.** Organizers are included with this newsletter and are available on the website. Please use them to assure that you get all the appropriate information together. There are also a number of other forms available on the website which may be helpful, particularly the non-cash charitable contribution forms. Please call to schedule your appointment as soon as possible. We are available most days if necessary. We do schedule most appointments for early morning, the evenings, or on Saturdays to try to work with your schedules. Make sure you have all information available prior to your appointment.

The following are a few items I find need to be repeated at least every year. Please keep these issues in mind:

**Charitable Contributions.** All contributions require at least a bank record or a receipt from the charity. Cash contributions may no longer include small amounts given to bell ringers or put into collection plates unless there is a receipt from the charity. There must be a cancelled check or receipt for contributions of less than \$250.00. For all contributions of \$250 or more, there must be a receipt; a cancelled check will not suffice. The receipt must state that you did not receive anything of value in return for the contribution.

**Business meals.** As a reminder meal expenses are considered personal and non-deductible unless out of town for business overnight. Meals where you entertain customers or vendors must have the date, and a notation of the individuals present along with the business information discussed noted on the receipt to qualify as 50% deductible. 100% of the tip will be deductible if separately stated. Meals provided to employees such as for company picnics/parties or in conjunction with overtime work are 100% deductible.

**Business mileage.** There are strict rules concerning business mileage. You must provide this info provide if you are claiming business mileage or taking actual expenses on a vehicle:

- average daily round trip commuting distance and total commuting mileage for year
- beginning and ending mileage for the year
- Number of miles the vehicle was used for business
- Do you have evidence to support your deduction?
- Is the evidence written in a log of some sort?

Guess who gets audited if you answer no to either of these last two items? **And no, we cannot fib for you or provide approximations out of thin air. You must keep adequate records of mileage.**

**Homework.** It is not uncommon for clients to leave their tax appointment with "homework"-a list of information the tax preparer still needs in order to complete the return. Please provide this homework as soon as possible to avoid backlogs or delays in processing your returns. If homework is not furnished before March 15, you can expect that your return will be placed on extension. Note that you still must pay your taxes by April 15 even if you are on extension. Also, any clients who have not signed the electronic filing authorizations prior to April 10 will have their returns put on extension.

**Our Newsletters.** This newsletter as well as all our newsletters, organizers, website, and other documents are general in nature. No transaction should be completed without a professional consultation on its ramifications. Please pass this newsletter along to a friend or colleague when you have finished, or phone for an extra copy. Recent newsletters are also posted on our website.

**New Clients.** We thank you for the many nice referrals that you have sent to us over the past years. We have increased the amount of time available for new clients over the next year. This has opened up more capacity for income tax clients. So please keep us in mind if any of your friends, relatives or colleagues express a need for professional tax assistance. Good referrals are always appreciated. We are also expanding our business advisory and process improvement services. We are available on a year round basis for income tax, estate planning, business planning, process improvements, and personal financial planning consulting.