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WHAT'S BEING SERVED UP AND DISHED OUT FOR 2011 IN A (LARGE) NUTSHELL:..

The year 2010 was a year of political maneuvering, back-room deals, massive spending and taxpayer insecurity. The estate tax had been allowed to expire, some were considering letting Granny expire, tax rates in place for the last 10 years looked like they were going to be allowed to expire and those of us who foot the bill were left in limbo as to future planning. Among the numerous and voluminous tax bills we were served up during 2010 are:

1. The Hiring Incentives to Restore Employment Act of 2010 – AKA “HIRE”
2. The Small Business Jobs Act of 2010
3. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act

AND the Grand Daddy of them all –

4. The Patient Protection and Affordable Care Act – AKA “PPACA”, but better known as Obamacare.

Please note - if you were to read a page a day – it would take you over 10 years to finish. Also note the reference to jobs and employment in #1 through #3 of the above bills and the suggestion from the “powers that be” that the 4th bill is not only the panacea of health care reform and budget deficit reduction, but it will create jobs as

well. Anyone up there awake? None of this is really working as the national unemployment rate has been over 9% for over 19 months (since May of 2009). Keep in mind that this statistic only counts those Americans still out there looking for work. If you're unemployed and not looking for work – you are not counted towards the unemployment rate. (Makes sense – doesn't it?)

Many of the 2010 provisions in the new tax bills have been discussed in these pages in previous issues. 2010 is now history. 2011 has arrived and there is a lot happening.. So listen up!

1. Employer payroll deposits of withholding and FICA taxes as well as corporate quarterly estimates, etc. can no longer be made with paper coupons. Everything must be paid via the EFTPS (Electronic Federal Tax Payment System).
2. Funds allocated to a flexible spending account (FSA) also known as a “cafeteria plan”, Health Savings Accounts (HSA) and Health Reimbursement Accounts (HRA) may no longer be used for over the counter drugs UNLESS you have a doctor's prescription.
3. Stock brokers will have to report the cost basis for most stocks/mutual funds on form 1099-B (used to report gross proceeds). The expanded 1099B will also have to show whether the gain/loss is short

term or long term. This begins with securities purchased in 2011 and goes forward from there.

4. Reporting the cost of employer provided group plans on the 2011 form W-2 is optional. Beginning in 2012 – this becomes mandatory. However – this is for Uncle Sam’s information only and is not taxable to the employee.

AND – (drum roll – please).....

5. As of January 1, 2011, *everyone who owns rental property will have to issue a form 1099 to each and every person or company from which they buy over \$600 in EITHER goods or services.* These 1099’s must be issued and filed in 2012 for purchases made in 2011. This means if a landlord buys a computer for \$610 (or 7 computers for \$88 each) from Best Buy – a 1099 must be issued to Best Buy. If you spend \$12 a week at Office-Max for supplies – a 1099 must be issued to Office Max. And – if you pay a landscaper \$100 month – the landscaper must also receive a 1099. What does this mean in real terms?

First – landlords must gather the required information (including either FEIN or Social Security numbers) to prepare the forms 1099. This means sending a form W-9 to everyone you do business with (don’t wait until you spend the requisite \$600 – it might be too late). This is going to cause one very large headache and is going to be a pain in other parts of the body as well.

Second, landlords will have to track all payments by vendor (should be doing this already) in order to

prepare any required 1099’s at year-end.

IF the vendor does not supply the information to the landlord – the landlord is required to withhold 28% from all subsequent payments to that vendor and then remit that to our favorite Uncle. The non-complying vendor is also slapped with a \$50 penalty PER incident.

A word of advice – IF THIS APPLIES TO YOU –Don’t wait, start preparing now.

6. All of #5 above will apply to the rest of us (landlord or not) – beginning with purchases made in 2012.

If you’re thinking of a good investment going forward – a paper company might be just the thing. Except – the IRS will probably require that these forms be prepared and filed electronically.

Got all that? Doesn’t it give you a warm and fuzzy feeling about the wisdom and decision making of our elected representatives? Maybe we should start looking into just whom it is they are “representing”?

MORE WARM AND FUZZY STUFF.....

The majority of Americans are having trouble swallowing the mandates of Obamacare. The added costs, added complexity, the restriction of certain medical care, etc. etc. However, there are at least 222 companies, insurers and unions who have been granted exemptions from this new legislation as of October 2010 and this number is growing steadily. Don’t think there’s much chance for individuals who would love to opt out to get the same consideration. As usual – it’s not what you know – it’s who you know and how much you contribute to political campaigns.

MORE ON “WISDOM” IN THE DECISION MAKING PROCESS IN CONGRESS...

Remember the “Making Work Pay” credit of 2009? The Obama administration thought that getting a paycheck for working wasn’t enough so the government was giving a credit to those who were working – and also to those receiving Social Security. The working people got credits on their return depending on the level of the income. Those on Social Security were each sent \$250 checks (or electronically transferred to bank accounts). Not sure what being on Social Security has to do with making work pay...???????

To get to the point, the Social Security Administration (SSA) sent out 72,000 checks to dead people. These checks were

worth over \$22 million. Now here’s the rub....Congress did not include a provision allowing the SSA to retrieve funds that were sent out by mistake. So – what happens now? Your guess is as good as anybody’s. Maybe we need another 2000+ page bill enacted to correct the mistake.

QUOTE OF THE DAY....

Government’s view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.” Ronald Reagan

