

# Year-End Reminders

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## Before Year-End:

- Calculate your company-paid insurance premiums
- Calculate your automobile income inclusion
- Contact your payroll service provider to have these amounts added to your W-2 income **before** December 31.

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## Year-End Housekeeping for Small Businesses

We hope you and your family had a Happy Thanksgiving!

As the end of 2009 is bearing down upon us, we want to remind our small business clients of a few critical housekeeping tasks that often get lost in the flurry of year-end work. Some of these need to be completed **before** year end, so please take a few moments to familiarize yourself with these requirements and how they apply to you. Note that, although your company's fiscal year-end may not be December 31, these requirements will still apply to your business as of De-



cember 31 because W-2s are prepared on a calendar-year basis.

If your business pays your health insurance or disability insurance premiums, please read below to determine whether or not you need to report those premiums on your Form W-2 for 2009. If your company owns or leases an automobile for your use, you may need to include the personal use of that vehicle as

income on your W-2. On page 2, we will discuss how this may apply to you. Finally, see page 3 for a reminder of your Form 1099 filing requirements.

As always, please contact us if you have any questions about these topics or if we can be of assistance in preparing these calculations and documents. Call us at (336) 712-1788 or e-mail us at [Celena@Lindsay-GardnerCPAs.com](mailto:Celena@Lindsay-GardnerCPAs.com).

## Insurance Premiums for S Corporation Shareholders

Shareholders owning more than 2% of an S corporation's stock must include in their W-2 income any health insurance premiums paid on behalf of the shareholder, a spouse or dependent. These premiums are subject to income

tax and reported in Box 1 of the W-2 but are not subject to FICA. Similarly, any disability insurance premiums paid on behalf of the more-than-2% shareholder must also be added to W-2 income.

Although subject to in-

come tax as wages, health insurance premiums reported on Form W-2 for these shareholders are eligible for the self-employed health insurance deduction on Form 1040. While premiums paid for disability insurance are

## Be on the Lookout

Year-end packages will be going out soon to both business and individual taxpayers. You can expect to receive your package by the second week of January. Inside, you will find detailed instructions for completing the package along with letters outlining our understanding with regard to the engagement, our use of your personal information, and



the confidentiality with which we treat your personal information.

We will provide a copy of each letter for you to return to us and a copy to keep. We ask that you read these carefully, sign our copy to indicate your understanding and acceptance of the terms, then return the signed copy to us along with your year-end tax infor-

mation. The taxpayer copy is for you to keep for your files.

After you have had a chance to look over the year-end package, please contact us if you have any questions about the contents. We look forward to working with you this tax season!

*“Please be aware of any deadlines your payroll service provider may impose for submitting year-end information.”*

## Insurance Premiums...(from page 1)

not deductible, any benefits received under the policy would be excluded from income.

Please be aware of any deadlines your payroll service provider may impose for submitting year-end information. Health insurance premiums and disability insurance pre-

miums should be added to box 1 and reported separately in box 14 of Form W-2.

Should you have any questions, please give us a call.



## Employer-Provided Autos

For some businesses, an automobile is an important part of getting the job done. Employees can log a great deal of windshield time making deliveries, running errands, or visiting clients and customers. Businesses often find it necessary to lease or purchase a car for the employees' use in per-

forming their duties. In general, the value of the personal use of an employer-owned vehicle by an employee must be included in the employee's income as compensation. For businesses that provide autos to owners and/or employees, it is important to have a written automobile use policy and

to communicate the policy to employees. In addition, businesses need to calculate the value of the employee's personal use of the employer-provided automobile at the end of each calendar year and add it to the employee's Form W-2.

The IRS provides special "safe harbor" valuation

## **Autos (from page 2)**

rules to use in calculating the addition to the employee's taxable income. Three methods are available: the lease valuation rule, the cents-per-mile valuation rule, and the commuting valuation rule. Of the three, the most commonly applicable rule among our clients is the lease valuation rule. If you visit our website, you will find on the

"Newsletters" page a section called "Resources". We have provided here the worksheets you will need to calculate employee income under each of the safe harbor methods. As with other year-end items affecting W-2's, please be aware of deadlines imposed by your payroll service provider for completing your year-end reports. We will be

happy to assist you with any questions you may have about your company-owned vehicles. If you would like to have our office perform the automobile income inclusion calculations for you or assist you with them, please contact us by December 14, 2009.

*"...the most commonly applicable rule among our clients is the lease valuation rule."*

## **Don't Forget Form 1099**

Form 1099-MISC must be issued by a trade or business to a noncorporate entity for payments of \$600 or more for services rendered. In some cases, such as payments to attorneys, all payments must be reported, not just those whose totals exceed \$600. A noncorporate entity is a

sole proprietor, partnership, or limited liability company. Recipients of Form 1099-MISC from your business might include your accountants, attorneys, independent contractors, landscapers, maintenance service providers, or any other service provider.

You obtain the information needed to complete Form 1099-MISC from your vendors by requesting that they complete Form W-9, which you should keep on file for all vendors. We are happy to assist you in preparing your Forms 1099-MISC, as well as Forms

*"We are happy to assist you in preparing your Forms 1099-MISC, as well as Forms 1099-DIV, 1099-INT, or other Forms 1099."*

## **Don't Forget Form 1099 (continued)**

1099-DIV, 1099-INT, or other Forms 1099. We will provide a worksheet on our website. Check the "Newsletters" page in the "Resources" section for a form that you can use to submit your 1099 information to us. We will need to receive your completed worksheet(s)

### **Upcoming Deadlines**

- December 31, 2009 •  
Mail state estimated tax payments for deduction in current year
- January 15, 2010 •  
Estimated tax payments due
- January 31, 2010 •  
Deadline to mail Forms 1099, W-2 to recipients



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## Who we are...

*Teresa Lindsay, CPA was licensed as a North Carolina CPA in 1995 and has been practicing in public accounting since that time. Professional memberships include the American Institute of CPAs and the North Carolina Association of Certified Public Accountants. Community involvement consists of membership in the Clemmons Rotary Club, where Teresa served on the board for a number of years, board member for the North Carolina Tennis Association, and board member for the Better Business Bureau of Northwest North Carolina.*

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