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Client Newsletter

July 2010 ~ Issue # 25

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Points of interest:

- July 31-Payroll forms 941 and state UC due for the 2nd quarter
- July 31 - 2nd quarter IFTA due
- August 10th - Ohio CAT tax, quarterly filers
- October 15th - Individual 1040 extended tax returns due

Health Care Reform

As you know, on March 23, 2010, the President signed the Patient Protection and Affordable Care Act, and later the Health Care and Education Reconciliation Act of 2010. Health Care Reform legislation will have varying impacts on employers and businesses depending on their size as well as specific impacts for individuals.

Health care reform should be viewed as a process, rather than an event. In the months and years to come, more health care reform initiatives will be proposed, and perhaps implemented, others will be adjusted or withdrawn. Therefore, the laws passed thus far should not be considered final.

More information to follow

Two New Tax Benefits for Employers

Under the Hiring Incentives to Restore Employment (HIRE) Act, two new tax benefits are available to employers who hire qualified employees.

The first, referred to as the payroll tax exemption, provides employers with an exemption from the employer's 6.2 percent share of social security tax on wages paid to qualifying employees, effective for wages paid from March 19, 2010, through December 31, 2010.

Secondly, for each qualified employee retained for at least 52 consecutive weeks, businesses will also be eligible for a general business tax credit, referred to as the new hire retention credit, of 6.2 percent of wages paid to the qualified employee over the 52 week period, up to a maximum credit of \$1,000.

This reduced tax withholding will have no effect on the employee's future Social Security benefits, and employers would still need to withhold the employee's 6.2-percent share of Social Security taxes, as well as income taxes. The employer and employee's shares of Medicare taxes would also still apply to these wages.

New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. Relatives do not qualify.

The new law requires that the employer get a statement from each eligible new hire certifying that he or she was unemployed during the 60 days before beginning work or, alternatively, worked less than a total of 40 hours for someone else.

Employers claim the payroll tax benefit on the federal employment tax return they file with the IRS, Form 941.

Who Is The IRS Auditing In 2010?

Home Buyer Credit:

Audits of returns claiming the Home-Buyer-Credit is crowding out other audits. More than 260,000 individual tax returns have been selected by the IRS for correspondence audits so far in 2010 because taxpayers failed to attach the correct documentation to their tax returns. This is about 21% of all IRS letter examinations, and more audits are likely. However, because the IRS works on limited resources, they will do fewer audits in other areas.



Restaurants can expect more audit heat this year:

The IRS is focusing on companies that didn't file Form 8027, the annual tip allocation return. The IRS has determined about 100,000 restaurants each year fail to file the required form.

401(k) Plans:

The IRS is sending letters to approximately twelve hundred 401(k) plans asking them to complete a questionnaire that will be used to determine their compliance with various rules. The IRS will contact the 401(k) plans if they appear to have violations. Plans that don't respond to the IRS will be audited.



Extensions: The Clock Is Ticking

If your tax return filing date was extended, it's now due October 15th, 2010, as you know. However, don't wait too late to gather your tax information. Consider dropping it off for preparation sooner. **Remember, filing an extension only extended your filing deadline; it did not extended the date the tax was due to the IRS.**

Internal Controls — How Does Your Organization Grade?

An effective and well documented internal control policy is necessary if your company is serious about guarding itself against employee dishonesty. No organization is too small to consider internal controls. A thorough checklist would be several pages in length. Answer the following "short list" of questions to grade your organization's current internal control policies:

- Are two signatures required on all checks and wire transfers?
- Are checks that are received in the mail immediately endorsed by whoever opens the mail?
- Are all employees who handle cash and checks bonded?
- Is the check supply under lock and key?
- Are *two* people involved in preparing payroll and remitting payroll taxes?
- Has the organization instructed the bank to not change authorized signers on all bank accounts without approval of management?
- Does the organization occasionally test cash, check and credit card transactions?
- Has the organization eliminated employee credit cards?
- If your organization is known by its' acronym, does it encourage payment to be made to the organization's full legal name?
- Does the organization require thorough background checks on key employees before hiring?



Hopefully you answered most, if not all, questions "yes". If not, please give serious consideration to a complete analysis of your internal controls and make the necessary changes to ensure your organization's assets are protected.

For Employer's: Protect Your Employees From Identity Theft

Most of the time you hear about keeping your clients personal information secure, but what about your employees? Is your employee's personal information safe? Business owners should have strong internal controls to protect and carefully guard documents containing personal data.

Private employee data usually includes:

Employee addresses, photos, social security numbers, birth dates, protected class information, and medical records. Additionally, employee benefit plan administrators have a reasonable expectation to keep confidential information that is collected by an employee benefit plan.

Employee data Privacy Rights—Legal Requirements

Employee Medical Information: The federal Americans with Disabilities Act (ADA) and Family and Medical Leave Act (FMLA) require that any information obtained by an employer in regards to medical condition or history of an applicant or employee be collected and maintained on separate forms, kept in separate files, and treated in a confidential manner. Likewise, the Health Insurance Portability and Accountability Act (HIPPA) protects individually identifiable health information created or maintained by health plans and health care providers.

Employee Benefit Records: Employers have a fiduciary duty to know about and control the use of information regarding their plans and plan participants.

Criminal and Credit Background Checks and other Consumer Reports: Fair Credit Reporting Act doesn't impose restrictions on employers and the circumstances in how they use them. Regulations established in 2005 require employers to take "reasonable measures" to dispose of "consumer information" to prevent "unauthorized access to or use of the information in connection with its disposal."

Employers can start by implementing a few steps to avoid unlawful use of private employee data:

- Do not use social security numbers for employee identification numbers.
- Set up internal practices regarding the flow and protection of sensitive information.
- Start a comprehensive privacy policy.
- Ensure medical information is maintained in separate, locked files.
- Store personal documents in confidential files separate from personnel files (consumer reports, I-9 forms, wage garnishment documents, credit card information, pre-employment or drug testing results).
- Keep electronic information stored in a secure computer system, limit access to data and site.
- Develop a document destruction policy (shredding or burning documents, destruction of electronic data devices).



Employers have a responsibility to protect their employees as well as themselves by knowing their responsibilities and implementing the necessary security measures.

Great News For Small Non-Profits:

More small nonprofit groups will be able to e-file Form 990-N next year to satisfy their annual filing requirement. In the past, nonprofits grossing less than \$25,000 were only required to file the 990-N listing basic information about the organization. For 2010, the threshold increases to \$50,000. Keep in mind; organizations that fail to file their annual returns for three consecutive years will automatically lose their tax-exempt status.

Tax Trivia



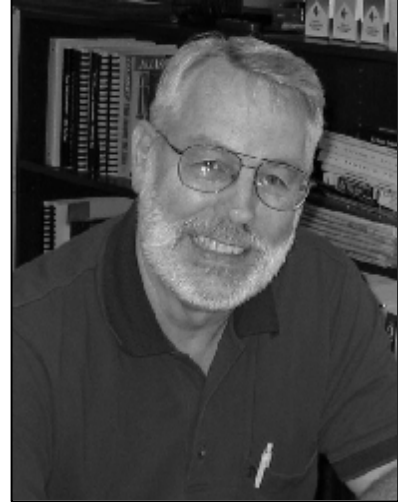
1. The New HIRE Act provides employers with an exemption from the employer's 6.2 percent share of social security tax on wages paid to qualifying employees. True or False?
2. Employers have a fiduciary duty to know about and control the use of information regarding their benefits plans and plan participants? True or False?
3. More than _____ individual tax returns have been selected by the IRS for correspondence audits so far in 2010 because taxpayers failed to attach the correct documentation to their tax returns.
A. 140,000 B. 260,000
C. 480,000 D. 80,000

(See our website www.keckler.com, or the next issue, for answers)

Answers to *Tax Trivia* - April 2010

1. TRUE: Gifts, bequests and inheritance are taxable income, unless exemptions apply.
2. B. \$50 million was contributed to the Presidential Election Campaign Fund from 2008 individual tax returns.
3. C. \$240.4 billion in refunds were returned to 118 million individual taxpayers in 2008.

JA Business Hall of Fame



We are pleased to announce that James A. Keckler will be inducted into the Junior Achievement Business Hall of Fame on September 24, 2010, at Forest Hills Country Club.

If you would like more information on the ceremony, contact Carla Wolfe at our office.

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Tax Calendar

[Reflects the most common due dates]

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July 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4 	5 Holiday Obsrvd [Office Closed]	6	7	8	9	10
11	12	13	14	15 Monthly 941 dep; OH monthly pyr tax	16	17
18	19	20 IN early filer (sales & payroll)	21	22	23 OH Sales tax due online	24
25	26	27	28	29 IFTA tax due tomorrow	30 IN mnthly tax due (sales & pyr) Qtrly pyr taxes due	31

August 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10 OH CAT quarterly filing due	11	12	13	14
15	16 Monthly 941 dep; OH monthly pyr tax	17	18	19	20 IN early filer (sales & payroll)	21
22	23 OH Sales tax due online	24	25	26	27	28
29	30 IN monthly tax due (sales & payroll)	31				

September 2010

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6 Labor Day [Office Closed]	7	8	9	10	11
12 Grandparents Day	13	14	15 Monthly 941 dep; OH monthly pyr tax	16	17	18
19	20 IN early filer (sales & payroll)	21	22	23 OH Sales tax due online	24	25
26	27	28	29	30 IN monthly tax due (sales & payroll)		