



December 2011

### **Year End Business Considerations**

Dear Business Client,

We are writing to remind you of some of the year end procedures that your company should consider, now that we are in the final month of the calendar year. Perhaps not all of these issues will be directly relevant for your company, however they should be reviewed, in order to determine their usefulness to your company's needs.

The first issue to consider is whether or not your company is required to prepare 1099 forms for vendors that you have paid in 2011. Please refer to the general requirements for Form 1099/1096 reporting, under the Resources/Wittenberg CPA Forms page of our web site, in order to determine under what circumstances your company needs to file these reports. We also want to provide you with access to the IRS web site, where you can access the 2011 Form 1099 and the instructions, as well as the related W-9 form. Please go to our website to link to the forms.

< Resources/Wittenberg CPA Forms/General Requirements for 1099/1096 Reporting >

Another consideration is to hold your company's annual meeting. If your company is incorporated (either C or S corporation) the officers and shareholders should hold annual meetings in order to determine matters that are essential to the management and operations of the company. Please refer to your company's articles of incorporation and bylaws, or consult with your company's attorney to determine the annual meeting requirements of your company. Limited Liability Companies (LLC's) are not required to hold annual meetings, however this practice is highly recommended to clarify company policies and changes in operational matters. Please refer to our web site under the Resources/Wittenberg CPA Forms page, for some examples of potential topics to be considered for your company's annual meeting, in order to provide you with some guidance on relevant issues.

< Resources/Wittenberg CPA Forms/Annual Minutes – Suggested Topics >

We also want to bring to your attention some guidelines for record retention. The minimum required period for retaining financial records is 3 years, which is the standard statute of limitations look back period, which the IRS and other tax authorities enforce. However, our office recommends a 7 year archiving of relevant tax and accounting supporting information, in order to make certain that any prior year issue can be resolved with the proper factual financial and employment data. Please refer to our web site under the Resources/Wittenberg CPA Forms page for more specific record retention guidelines.

< Resources/Wittenberg CPA Forms/Record Retention Guidelines >

Also, remember that effective January 1, 2010, the resale certificate was replaced with a re-seller's permit, issued by the Department of Revenue. The re-seller permit can be applied for with the Department of Revenue, in order to allow your business to make wholesale purchases, including qualified contractors. The permits allow businesses to purchase items or services for resale, without paying retail sales taxes. However if your purchases are subject to sales taxes, typically for items used by your company, but were not paid at source, remember that you are required to pay use taxes, at the time you file your combined excise tax report with the State of WA's Department of Revenue.

<<http://dor.wa.gov/content/findtaxesandrates/retailsalestax/resellerpermit>>

If you haven't already, remember to consider establishing an employee benefit type of plan, in which the employees, as well as the owners/officers of the company can all receive benefits. You may want to consider establishing a retirement type of plan, such as a SIMPLE IRA plan, which allows employees to defer a portion of their wages, along with a relatively modest company match, as a means to deferring taxable income of the employee as well as allowing a deductible, non-payroll taxable form of compensating your employees. This is one of many retirement plan options your company can consider adding, and we can certainly discuss all of the options with you, if you are interested.

Another possibility, especially if your medical insurance premiums have risen significantly, is to set up a health saving account (HSA) plan, which when combined with a lower cost major medical type of insurance plan, allows the employees of the company, as well as the company, at the discretion of the ownership, to contribute toward a medical savings account, which can be either used by the employee during the year of contribution, or else carried over indefinitely for future medical costs, or eventually as a retirement type of fund, similar to an IRA.

If your business is an S corporation, remember that the medical insurance premiums paid out on behalf of the shareholders must be reported along with wages on Form W-2. The premiums can still be paid out by the S corporation, on behalf of the shareholders, however the total premiums must be included on Line 1, as part of the "Wages, tips, other compensation" total, and also should be reported on Line 14, as a separately reported line item, so that the nature and amount of the payments is clearly stated. Note that this reporting requirement, as per IRS Notice 2008-1, does not change the fact that these medical insurance premiums are deductible by the shareholder/taxpayer when paid. Please refer to our web site if you prepare your company's payroll using QuickBooks's payroll software.

<Resources/Wittenberg CPA Forms/Quick Books Set Up Directions for S Corporation Medical Insurance>

Remember that federal law requires that in order to directly provide 3<sup>rd</sup> party users (e.g. bankers, insurance agents, etc) with a copy of your tax return, or with information from your tax return, we must obtain written consent from you prior to the release of this information. Each time you ask us to send a copy of your tax return, or the content of your tax return, to a 3<sup>rd</sup> party, we must ask you to sign a written consent form, which we can either provide to you, or else you can access on our website.

<Resources/Wittenberg CPA Forms/Disclosure Consent for Tax Return Information>

Finally, as the year winds down and you complete your accounting procedures, such as the counting of your company's inventory, and the reconciling of your company's accounting, please don't hesitate to contact our office if you have any specific questions and/or concerns that we can assist you with.

Best Regards,  
Wittenberg CPA, PS  
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