



December 2009

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 to your company for the current year, however they should be reviewed to determine their usefulness to your company's needs.

The first issue to consider is whether or not your company is required to file IRS 1099 forms for vendors that you have paid in 2009. We are attaching the general requirements for 1099/1096 reporting. Please review this attachment to determine under what circumstances your company needs to file these reports. We also want to provide you with the IRS web site links to the instructions for the 1099 forms and the related W-9 form. Please go to our website at www.WittenbergCPA.com and use the link tab to access the IRS website where you can choose forms from their home page.

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 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. We are attaching a list of potential topics to be considered for your company's annual meeting to provide you with some guidance on relevant issues.

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. Our office recommends a 7 year archiving of relevant tax and accounting supporting information to make certain that any prior year issue can be resolved with the proper factual financial and employment data.

Also, remember that effective January 1, 2010, the resale certificate will be replaced with a reseller's permit issued by the Department of Revenue. The seller's permits will be issued to businesses that make wholesale purchases, including qualified contractors. The permits allow businesses to purchase items or services for resale without paying retail sales tax. The Department has already issued the first round of reseller's permits, based on specific criteria, however businesses that don't automatically receive a reseller's permit may apply directly to the Department of Revenue.

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. We can discuss the details of this employee benefit options with you at your convenience.

New for the 2009 calendar year is the opt-out requirement for corporate officers to exempt themselves from State of WA unemployment insurance coverage. In order to exempt corporate officers from coverage, a separate request for each officer must be submitted on an approved form. The form can be accessed on Employment Security Department's website or under the Resources section of our website at www.wittenbergcpa.com/resourcesgovtforms.html. This is fundamentally different than under previous rules where corporate officers would opt-in for unemployment insurance. Remember that to take effect for the 2010 calendar year this opt-out request must be submitted by January 1, 2010.

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.

Finally, remember that federal law requires that in order to provide 3rd 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 3rd party, we must ask you to sign a written consent form, which we can either provide to you, or else you can access on the Resources section of our website.

This correspondence is meant to be useful in reminding you of a few of the more relevant year end issues that your company should address. Please contact our office if you have questions about any of these matters, or concerns about any other year end procedures.

Best Regards,
Wittenberg CPA, PS

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