

Fall 2011

Independent Contractors:

Misclassifying employees and independent contractors can become a costly issue if a government auditor finds discrepancies in the classification. There are a few factors to consider when classifying someone as an employee versus an independent contractor such as who has control over the services being performed, would breach of contract or termination be an issue, who dictates the value of the services, are any “investments” furnished by the firm or by the worker such as car or equipment, and who controls the premise where the services are performed. At a recent program, we were told by the Unemployment representative that their audit emphasis going forward will be on worker classification issues – employee or independent contractor. We can help you in determining these classifications if there is question.

Business vs. Hobby

A tax issue that is being looked at more closely nowadays is if a business is for profit or viewed as a hobby. The concern arises if expenses or losses can be deductible. There is no “black and white” in this situation, but consider the manner in which activity is carried on, the expertise of the taxpayer, the time and effort applied, expectation of assets to appreciate, success of the taxpayer in carrying on similar or dissimilar activities, the history of income or losses, amount of occasional profits, financial status of the taxpayer, and the element of personal pleasure or recreation.

Tax Calendar

October 11	October 11	Employers: Employees are required to report their tips of \$20 or more earned during September to their employers
October 31		Form 941s are due for the 3 rd quarter
November 10	Employers:	Employees are required to report their tips of \$20 or more earned during October to their employers
December 12	Employers:	Employees are required to report their tips of \$20 or more earned during November to their employers
December 15	Corporations:	4 th installment of your estimated tax for 2011 is due

New MN Dept of Revenue Website

Minnesota Department of Revenue will be updating their website for their online filing and paying system. They will be batching businesses in waves for this update. When you are selected to be updated, you will need to re-setup your online account.

Employee Record Keeping

This is a reminder to business employers that it is extremely important to keep and maintain employee records. Federal and State law require a completed W-4 and I-9 form every time you have a new employee

Richard A. Gwizdala,** Registered Representative

*Securities offered through H.D. Vest Investment ServicesSM, Member SIPC,

**Advisory services offered through H.D. Vest Advisory ServicesSM, Non-bank subsidiaries of Wells Fargo & Company.

Gwizdala & Associates, Inc. is not a registered broker/dealer or independent advisory firm.

which you need to keep in your files. Federal and State laws also require you to report each new employee or re-hired employee to Minnesota New Hire. Visit www.mn-newhire.com.

IRS will Not Email You:

The Internal Revenue Service does not communicate with taxpayers via email; therefore, if you receive an email claiming to be from the IRS, this may be a scam.

Beware of the QuickBooks Auto-fill Function

When you or your bookkeeper are entering transactions into QuickBooks, are you selecting the expense account it should go into or just letting the program auto-fill from the last transaction? Be careful! This is an easy way for things to get misclassified and reported incorrectly on your tax return. This is especially true if you have run any personal expenses through your business. We may notice obvious misclassification and ask you for clarification but many misclassifications are hard to detect. It is your responsibility to record them correctly and if you are unsure, please ask us so that we make sure they are recorded properly.

Personal vs. Business Expenses

Running personal expenses through your business is a bad habit and a bad business practice that will cause you trouble in an audit situation. With the rise in audits in the past years, it is no longer a matter of if but a matter of when you will be audited. Too often personal expenses can get mixed with business expenses, especially with business check and credit cards, and not get reported properly. If you need to take money out of the business for personal expenses it is better to write yourself a check and run all personal expenses out of your personal checking account and then alert your accountant to the checks drawn so that we can make sure they are reported properly.

Key Figures:

2011 Mileage Rates 1/1/11-6/30/11

Business	\$0.51
Charitable	\$0.14
Medical & Moving	\$0.19

2011 Mileage Rates 7/1/11-12/31/11

Business	\$0.555
Charitable	\$0.14
Medical & Moving	\$0.235

2011 Deferral Amounts

Traditional or Roth IRA	\$5,000
if age 50 or older	\$6,000
401(k) and 403(b) Salary Deferral Contribution	\$16,500
if age 50 or older	\$22,000
SEP-IRA Account Contribution	\$49,000
Defined Contribution Plans:	
Profit Sharing and Money Purchase	\$49,000
if age 50 or older with 401(k) contribution	\$54,500
SIMPLE IRA Salary Deferral	\$11,500
if age 50 or older	\$14,000

Referrals:

We appreciate being able to work with you and your business. If you know anyone who could benefit from our services, we would like to send them our newsletter. Please let us know.

Thank you for your business.

Business Hours:

Monday – Thursday 8:30am – 5pm

Friday 8:30am – 3pm (Summer 8:30am-noon)

Dick Lidbom's Office in Bloomington

Phone: 952-881-1327

Fax: 952-881-4642

Richard A. Gwizdala, ** Registered Representative

*Securities offered through H.D. Vest Investment ServicesSM, Member SIPC,

**Advisory services offered through H.D. Vest Advisory ServicesSM, Non-bank subsidiaries of Wells Fargo & Company.

Gwizdala & Associates, Inc. is not a registered broker/dealer or independent advisory firm.