



Small Business Group, Inc.

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1/1
Office Closed for New Years **HAPPY NEW YEAR**

1/15
Payroll tax deposit due if liability is over \$2500
4th Qtr Estimated tax - 1040ES
Corporation Income Tax Return - 1120 for year end 10/31/12

1/22
Sales tax reports due

1/31
Payroll Tax Returns 941, 940 and UCT6 due. W2's & 1099's due to employees and subcontractors

Effective 1/1/13

FL Minimum Wage increases to \$7.79/hr

FL tipped employee minimum wage increases to \$4.77/hr

We will be open on Fridays during the tax season (January - April)

Semi-Weekly 941 Deposit Due Dates

Payroll Check Date:	Deposit is Due on:
Jan 1	Jan 4
Jan 2-4	Jan 9
Jan 5-8	Jan 11
Jan 9-11	Jan 16
Jan 12-15	Jan 18
Jan 16-18	Jan 24
Jan 19-22	Jan 25
Jan 23-25	Jan 30
Jan 26-29	Feb 1
Jan 30-Feb 1	Feb 6

Should your independent contractors really be employees?

The IRS, U.S. Department of Labor and state governments have a big stake in correctly classifying workers. Improper treatment of workers as independent contractors costs the government tax revenue, in the form of lost withholding, unemployment, workers' compensation, and Social Security and Medicare taxes. This opportunity for reclaiming revenue has led to renewed compliance efforts.

How big is the problem? Even with the interest in proper classification, it is not clear how many workers are misclassified. According to U.S. Bureau of Labor Statistics, contractors made up 7.4% of all workers in 2005—equating to 10.3 million workers. With the recent economic stress on small businesses, chances are that the use of contractors has increased significantly since 2005. A 2011 MBO Partners study found that about 16 million workers were classified as independent contractors and predicted an even greater use of independent contractors in the next 10 years. After all, independent contractors are about 30% cheaper than employees and come without many burdensome employment rules—compelling incentives for businesses.

A 2000 Department of Labor (DOL) study revealed that 10% to 30% of all employers misclassify workers. In 2008, the IRS found that even when workers and employers asked the IRS for proper classification, only 3% of the workers in question were independent contractors. However, the IRS does not have current, definitive numbers. The last definitive study on the issue was conducted in 1984 and concluded that 15% of employers misclassified 3.4 million workers as independent contractors.

The IRS is stepping up worker reclassification efforts, which represent a substantial revenue opportunity. In fact, a 2009 U.S. Government Accountability Office report stated that 71% of IRS worker misclassification examinations result in changes to worker status. The IRS is

currently finalizing a three-year National Research Program initiative that included random audits of 6,600 employers. The study will



EASY TO ACCESS FORMS

Do you need a copy of the new W-4 for 2013? What about a copy of the most recent W-9? For copies of the new forms for 2013, please visit our website at www.smallbg.com and click on the Forms page. You can download a copy of the new W-4, I-9 and W-9 — among other forms. We will try to keep all of the pertinent forms you might need on our website so they will be always be convenient for you to retrieve. If you don't see the form your need, contact Kewanna at 731-2221 or by email to kgroman@smallbg.com.



Tax Appointments

Tax interviews will begin the first week of February. You will be receiving a 2012 Client Organizer to help in the preparation of your tax return. **Portal clients will be able to complete their Organizer online from their Portal and then print it or contact SBG to print it out for you.** Completing the Organizer will facilitate the accurate preparation of your tax return. If any of the information does not apply to you, just draw a line through it or make the necessary correction. **Sending SBG your completed Organizer a week before your appointment will give us the ability to have your tax refund or liability calculated during the interview.** Our mission is to speed up processing and get the finished return into your hands faster. If you do not send your Organizer in advance, **please bring it with you** for the interview.

Contact Charia at 731-2221 NOW to schedule your tax interview appointment.

*** Continued from front page ***

quantify levels of worker misclassification, and the IRS and many states expect the study to reveal significant noncompliance.

What is the government's stake in correctly classifying workers? The IRS knows that it is easier to keep employees compliant than independent contractors. The latest IRS tax gap study shows that Form W-2 employees misreport only 1% of their income, while, on average, independent contractors misreport 8% of their income. For the IRS, employee status means more automated, less expensive post-filing compliance activity, such as underreporter notices.

Employee status is even more important in light of the Patient Protection and Affordable Care Act (PPACA), P.L. 111-148, which mandates that employers with at least 50 full-time employees provide health care insurance or pay a stiff penalty. The mandate goes into effect in 2014, but employers may already be trying to reduce payrolls to avoid new taxes and requirements under PPACA. One way employers may reduce payrolls is by treating workers as independent contractors, rather than employees.

Worker reclassification has also been of interest to the Obama administration. In 2011, the DOL confirmed its commitment to use audit and enforcement resources to address the growing problem of employee misclassification. There is also a coordinated effort among the IRS, DOL and many states to share audit findings and pool resources to address worker classification. At the 2012 IRS Tax Forum, held from July 31 to Aug. 2 in Las Vegas, IRS officials said that the IRS is coordinating employment tax examination findings with 37 states.

Despite the problem, the IRS does not have a clear, bright-line test to determine the proper classification of workers. Traditionally, the IRS has used the 20 common law factors found in Rev. Rul. 87-41 to test whether a worker is an independent contractor or an employee. Over the years, the IRS has tried to simplify determinations without much success. To complicate matters further, since 1978, IRS worker reclassification efforts have been hampered by defenses under Section 530 of the Revenue Act of 1978, which provided employers with safe harbors, such as reliance on a prior IRS audit or a long-standing industry practice.

As a result, reclassification audits often led to long disputes in IRS appeals offices. To combat the enforcement stalemates, in 1996, the IRS instituted an early resolution program that could be used to settle audit disputes. The Classification Settlement Program (CSP) allowed for prospective treatment of workers as employees but limited the taxes owed due to reclassification.

In 2011, the IRS began the Voluntary Compliance Settlement Program (VCSP), which allows an employer to seek prospective treatment for workers and pay even less than under the CSP arrangement, but the program is purely voluntary. It is not available for taxpayers in an employment tax audit conducted by the IRS, DOL or state agencies. Since the program started, the IRS has received only 625 applications, according to officials at the 2012 Carolinas Tax Forum, held Aug. 8-10 in Charlotte, N.C.

Article by Jim Buttonow – cpa2biz.com – September 26, 2012

GROW our Business

HELP US

Do you KNOW an Entrepreneur?

Refer them to Small Business Group & they will receive a one-on-one consultation... FREE!

If they sign up with SBG, YOU could receive a credit on next year's client engagement.

Contact SBG at 731-2221



RECORDKEEPING RULES:

Whether you are a pack rat or a determined dumper, the Internal Revenue Service does not care. At audit time, everyone is held to the same standards. As a rule of thumb, keep financial records and books as long as the information may be "material in the administration of the income tax laws." This means keeping them for as long as there's a chance you could file an amended return or the IRS could audit the return. Because it is difficult to know what to save and what to pitch, below is a quick guide. Cut it out and keep it with your documents. For more information, contact SBG at 731-2221.

Type of Record

Retention Period

Copies of tax returns as filed	Forever
Tax and legal correspondence	Forever
Audit reports	Forever
General ledger and journals	Forever
Financial Statements	Forever
Contracts and leases	Forever
Real Estate records	Forever
Corporate minutes & stock records	Forever
Bank Statements & deposit slips	7 years
Sales Records and journal	7 years
Employee expense reports	7 years
Personal investment records	7 years
Canceled checks	7 years
Paid vendor invoices	7 years
Employee payroll expense records	7 years
Inventory reports	7 years*
Depreciation schedules	Permanent
Other capital assets records	Permanent
IRA records	Permanent
Stocks, Bonds & Investments	Permanent

* Forever if you use the last in, first out (LIFO) method.



The IRS will charge a fee for late or unfiled 1099's so be sure to get your information to us as soon as possible to avoid any penalties.

Also, the name and taxpayer identification number on the 1099 **must** match what is on file with the Social Security Administration. The IRS will issue penalties of \$100 per incorrect 1099. It is advised that you receive a completed W-9 form for each vendor who will be receiving a 1099 to ensure you have the correct information to avoid any penalties.