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We are pleased to provide you our online informational newsletter which we believe you will find of interest. Each month brief articles on relevant topics will be included, along with a tax calendar for the current and following months.

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We wish you a happy, healthy, and prosperous 2006!

Financial Lessons Learned in 2005, *Wisdom to Take With You Into 2006*

As we prepare to say goodbye to 2005, we can look back on some important financial lessons learned:

Prepare for a disaster. You should have a disaster plan in place for your family—and a separate one for your business, if you are a business owner — in the event of a natural or man-made disaster. Try keeping your important financial documents all together in a small fire-proof box, digitize them and store them on remote servers, or maintain copies of your most important documents with your trusted family members, colleagues, or friends in other cities to retain for you. And don't forget to make sure you have the right kind and amounts of insurance coverage for your home and your business.

Protect yourself from identity theft. Do your best to prevent identity theft—people whose identities have been stolen lose months or years undoing the mess that was made of their credit histories. Some tips:

- ◆ Shred every item of “trash” that has your personal or business information on it;
- ◆ Monitor your credit report for accuracy, mistakes, and fraud;
- ◆ Only download Internet files sent to you by people you know, and install a robust virus detection program;
- ◆ Use passwords that are difficult to
- ◆ guess on your credit card, bank, and phone accounts; and
- ◆ Keep personal information at home secure from roommates, domestic help, and anyone working in your home.

Retirement savings vehicles become more interesting (and lucrative). Starting with the New Year, employers will have the choice to create and offer Roth 401(k) plans, as described in depth in our July issue. These plans permit employees to designate all or a portion of 401(k) contributions as “Roth contributions,” made on an after-tax basis. Distributions are not taxed so long as certain rules are followed, and they are subject to the same required minimum distribution rules after age 70½ as traditional 401(k)s and traditional IRA accounts.

For 2006, why not make a resolution to max out whatever limit your particular retirement vehicle allows? For example, you can put \$15,000 into a 401(k), Roth 401(k), 403(b), 457, and SARSEP, as well as an additional \$5,000 "catch up" amount for taxpayers 50 and over in these accounts. The traditional and Roth IRA limits remain at \$4,000 for 2006, but allow \$1,000 “catch up” contributions (up from \$500 in 2005) for taxpayers 50 and over.

Sales tax deduction

Presently, Florida taxpayers are allowed to deduct State sales tax as an itemized deduction (Schedule A, Form 1040). In addition to standard sales tax deduction amounts provided by tables based on income, sales tax on vehicles, boats and certain other items can be added to the table amount.

As of this date, no formal legislation has been passed to extend this deduction beyond 2005, although many believe an extension will ultimately pass. Therefore, those considering purchasing a personal vehicle or boat may want to do so by December 31, 2005.

Employers, You May Have to Shred That!

Good employers do what they can to protect their employees' personal information from identity theft, but smart employers do what is now required by law to save themselves from potentially thousands of dollars in fines.

If you are an employer, you will need to make sure that your human resources staff is up-to-date on the new federal requirements for destroying personal information gained by a consumer reporting agency in the process of taking on new hires.

With effect from June 1, 2005, employers must shred or "otherwise destroy" particular pieces of personal information, referred to in the law as "consumer report[s]," about employees they hire — but only for information obtained by a consumer reporting agency. "Consumer report" information on employees you hire includes, but is not limited to:

- ◆ current address and address history
- ◆ name and former names used
- ◆ date of birth
- ◆ Social Security number
- ◆ driving records
- ◆ check writing history
- ◆ employment history
- ◆ health records
- ◆ history of insurance claims, and
- ◆ criminal records

As part of the Fair and Accurate Credit Transactions Act of 2003 (FACTA) — other pieces of which we reported on in earlier issues of this newsletter — employers are required to take "reasonable measures to protect against unauthorized access to or use" of consumer information, whether retained in paper or electronic format.

To meet the federal requirements, you may have to shred these materials yourself or ensure that the company you hire to shred does so in a non-negligent manner. The law provides various examples of how to ensure third party disposal of employees' information. If this information was collected electronically, employers must properly dispose of that material in a way that is compliant with the law (for example, by using appropriate software to erase the employee data).

The penalties can add up

You must destroy your employees' personal information properly, or else be potentially liable for “negligent destruction” under the law, which is not clearly defined. This means that you will also be liable for personal information that is merely “lost.” If a charge is leveled against you, it is your company's burden to prove that it did not destroy the information negligently.

Each violation can result in employers paying a federal fine of up to \$2,500 per occurrence. Employees can also bring suits against their employers to recover actual damages they suffer as a result of improper disposal of their private information. Business owners, if found liable for an employee's stolen identity, can rack up rather hefty fines if, for example, a batch of employee Social Security numbers or addresses are taken from the workplace and this act leads to identity theft of the employees. The business owner would be held liable for each occurrence plus each successful individual suit for damages. We don't need to show you the math to illustrate how costly this mistake could be.

Florida Minimum Wage Raise in Annual Calculation Announced

TALLAHASSEE – the Agency for Workforce Innovation announced that Florida's minimum wage will be \$6.40 per hour effective January 1, 2006 for all hours worked in Florida. This represents an increase of 25 cents over the current state minimum wage of \$6.15 per hour. Florida's minimum wage was created in a constitutional amendment approved by voters on November 2, 2004, and covers all employees in the state covered by the federal minimum wage.

Pursuant to the language of the state constitutional amendment, the Agency for Workforce Innovation is to perform an annual calculation to establish a new minimum wage each year. The constitution also requires the adjusted minimum wage to be published. The increase in the minimum wage this year represents a 4 percent change in the federal consumer price index for urban wage earners and clerical workers in the South Region for the 12-month period prior to September 1, 2005. Florida's new minimum wage will be \$1.25 more than the current \$5.15 federal minimum wage.

Employers must pay their employees a wage not less than the amount of the hourly state minimum wage for all hours worked in Florida. The definitions of “employer,” “employee,” and “wage” for state purposes are the same as those established under the federal Fair Labor Standards Act (FLSA).

For “tipped employees” meeting eligibility requirements for the tip credit under the FLSA, employers may count tips actually received as wages under the FLSA, but the employer must pay “tipped employees” a direct wage in an amount equal to the minimum wage of \$6.40 minus \$3.02 (which, as required by Florida’s Constitution, is the 2003 tip credit existing under the FLSA), or a direct hourly wage of \$3.38 on January 1, 2006.

Employees who are not paid the minimum wage may bring a civil action in a court of competent jurisdiction against the employer or any person violating Florida’s minimum wage law. The state attorney general may also bring an enforcement action to enforce the minimum wage. As stated in Florida’s Constitution, the case law, administrative interpretations, and other guiding standards under the FLSA should be the guide regarding the construction of Florida’s constitutional amendment creating the minimum wage. FLSA information and compliance assistance can be found at [HTTP://WWW.DOL.GOV/DOL/COMPLIANCE/COMP-FLSA.HTM](http://www.dol.gov/dol/compliance/comp-flsa.htm).

TAX CALENDAR

DECEMBER 2005

December 12

Employees who work for tips. If you received \$20 or more in tips during November, report them to your employer. You can use Form 4070.

December 15

Employers. For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in November if the monthly rule applies.

Corporations. Deposit the fourth installment of estimated income tax for 2005.

JANUARY 2006

January 10

Employees who work for tips. If you received \$20 or more in tips during December, report them to your employer. You can use Form 4070.

January 17

Individuals. Make a payment of your estimated tax for 2005 if you did not pay your income tax for the year through withholding (or did not pay enough in tax that way). Use Form 1040-ES. This is the final installment date for 2005 estimated tax. However, you don't have to make this payment if you file your 2005 return and pay any tax due by January 31, 2006.

Employers. For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in December if the monthly rule applies.

January 31

All businesses. Give annual information statements (Forms 1099) to recipients of certain payments you made during 2005. Payments that are covered include: (1) compensation for workers who are not considered employees, (2) dividends and other corporate distributions, (3) interest, (4) amounts paid in real estate transactions, (5) rents, (6) royalties, (7) amounts paid in broker and barter exchange transactions, (8) payments to attorneys, (9) profit-sharing distributions, (10) retirement plan distributions, (11) original issue discounts, (12) prizes and awards, (13) medical and health care payments, (14) debt cancellations (treated as payment to debtor), and (15) cash payments over \$10,000. There are different forms for different types of payments.

Employers. Give your employees their copies of Form W-2 for 2005.

For nonpayroll taxes, file Form 945 to report income tax withheld for 2005 on all nonpayroll items, such as backup withholding, and withholding on pensions, annuities, and IRAs.

For Social Security, Medicare, and withheld income tax, file Form 941 for the fourth quarter of 2005.

For all taxes, deposit any undeposited tax. If the total is less than \$2,500 and not a shortfall, you can pay it with the return. If you deposited the tax for the year in full and on time, you have until February 10 to file the return.

For federal unemployment tax, file Form 940 (or 940-EZ) for 2005. If your undeposited tax is \$100 or less, you can either pay it with your return or deposit it. If it is more than \$100, you must deposit it. However, if you already deposited the tax for the year in full and on time, you have until February 10 to file the return.

In accordance with IRS Circular 230, this newsletter is not to be considered a “covered opinion” or other written tax advice and should not be relied upon for IRS audit, tax dispute, or any other purpose.
