

# Cohen Smith & Company, P.A.

## NEWSLETTER



**CERTIFIED PUBLIC ACCOUNTANTS**  
*Business and Personal Advisors*  
133 EAST INDIANA AVENUE  
DELAND, FLORIDA 32724-4329

**PHONE: (386) 738-3300      FAX: (386) 736-2267**

Interested in knowing more about our firm? Please take a minute to browse our website at [www.cohensmithcpas.com](http://www.cohensmithcpas.com).

### December 2011

#### **As we go to press:**

#### **House G.O.P. Leaders Agree To Extension Of Payroll Tax Cut And Physician Medicare Rates**

WASHINGTON – Bowing under intense pressure from members of their own party, House Republican leaders agreed Thursday to accept a temporary two-month extension of the payroll tax cut.

Under a deal reached between House and Senate leaders, the House will now approve as early as Friday the two-month extension of a payroll tax holiday and unemployment benefits approved by the Senate last Saturday.

Under the deal, the employee's share of the Social Security payroll tax will stay at the current level, 4.2 percent of wages, through Feb. 29. In the absence of Congressional action, it would revert to the usual 6.2 percent in March, 2012. The government will also continue paying unemployment insurance benefits under current policy through February.

In addition, under the agreement, Medicare will continue paying doctors at current rates for two months, averting a 27 percent cut that would otherwise occur on January 1, 2012.

## In This Issue

- Timing Year-End Charitable Contributions
- 2012 Unemployment Compensation Tax
- Florida's Minimum Wage
- Florida Senate panel To Draft Internet Sales Tax Bill
- Tax Calendar



### Timing Year-End Charitable Contributions

Making a charitable donation is admirable, but the tax deduction is nice, too. A charitable contribution is generally deductible in the year the property is delivered to the charity, which is when the taxpayer parts with the ability to control it. However, a charitable payment can take many forms. Whatever the form, if the deduction is substantial, the taxpayer can avoid reporting issues by inquiring about the charity's policies and procedures for recording the date of the gift prior to making the donation.

This is especially important for year-end contributions or any instance in which timing is a key factor.

A payment by check is deductible in the year the check is mailed or unconditionally delivered to the charity, if it clears the bank within a reasonable time. Therefore, a check dated and mailed on December 31 is deductible in the year it is mailed. Although not specifically stated in the federal regulations, apparently a postmark showing the date the check was mailed would suffice (as it would prove the timely filing of a tax return). If a large contribution is mailed on December 31, it is advisable to use certified mail and retain the receipt to prove the mailing date.

Should you decide to use a credit card for your contribution, amounts charged by December 31<sup>st</sup> are deductible, even though the card charges are not paid until the following year.



### 2012 Unemployment Compensation Tax

- The State of Florida pays Unemployment Compensation (UC) benefits to qualified claimants using monies from the UC Trust Fund, which is funded by the unemployment compensation tax paid by Florida employers; Florida employees do not pay into the fund.
- Florida law is designed to annually adjust the unemployment tax rates to maintain the balance in the trust fund.
- When the amount in the trust fund falls below a specific amount specified in law, this triggers an increase to ensure the trust fund remains as healthy as possible.
- In August 2009, the trust fund became insolvent and the balance fell to zero due to high unemployment and unprecedented demand caused by the recession.
- At the time, Florida began borrowing from the federal government to pay unemployment compensation benefits, like many other states. As of November 2011, Florida owes the federal government \$1.7 billion in loans needed to meet the benefit demand.
- **2012 Tax Rates (effective January 1, 2012):**  
  
Minimum rate: .0202 or \$171.70 per employee

Maximum rate: .0540 or \$459.00 per employee  
(The 2012 rate is based on annual salary up to \$8,500 per employee)

- The 2011 UC tax rates are currently:

**2011 Tax Rates:**

Minimum rate: .0103 or \$72.10 per employee

Maximum rate: .0540 or \$378.00 per employee (The 2011 rate is based on annual salary up to \$7,000 per employee)

- Notices of unemployment tax rates for each employer will be distributed in December 2011 and are effective for wages paid on or after January 1, 2012.

**Special Interest Assessment**

- Since the State of Florida has borrowed funds from the federal government to pay unemployment compensation benefits, all contributing Employers will pay a proportionate share of the federal payment through a special annual assessment which must be collected by June 30, 2012.
- The Florida Department of Revenue will send notices by February 1, 2012, explaining the calculation of the special interest assessment, with a coupon for the business to pay its share of the interest on the federal advances.

**FUTA Tax Credit Reduction**

- Florida, like many other states, has had outstanding loans for two consecutive years.
- Employers will incur a 0.3 percent reduction in the amount of credit they can take against their 2011 Annual Federal Unemployment Tax (credit will decrease from 5.4 percent to 5.1 percent) due January 2012.



**Florida's Minimum Wage**

The Florida minimum wage is \$7.67 per hour, effective January 1, 2012.

Florida law requires the Florida Department of Economic Opportunity to calculate a minimum wage rate each year. The annual calculation is based on the percentage increase 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, 2011.

Employers must pay their employees 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). Employers of tipped employees, who meet eligibility requirements for the tip credit under the FLSA, may count tips actually received as wages under the Florida minimum wage. However, the employer must pay tipped employees a direct wage. The direct wage is calculated as equal to the minimum wage (\$7.67) minus the 2003 tip credit (\$3.02), or a direct hourly wage of \$4.65 as of January 1, 2012.

Employees who are not paid the minimum wage may bring civil action 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. FLSA information and compliance assistance can be found at: [www.dol.gov/dol/compliance/comp-flsa.htm](http://www.dol.gov/dol/compliance/comp-flsa.htm).

Florida Statutes require employers who must pay their employees the Florida minimum wage to post a minimum wage notice in a conspicuous and accessible place in each establishment where these employees work. This poster requirement is in addition to the federal requirement to post a notice of the federal minimum wage.

Florida's minimum wage poster is available for downloading in English and Spanish from the Florida Department of Economic Opportunity's website at:  
[www.floridajobs.org](http://www.floridajobs.org)

The federal poster can be downloaded from the U.S. Department of Labor's website at:  
[www.dol.gov/whd/regs/compliance/posters/flsa.htm](http://www.dol.gov/whd/regs/compliance/posters/flsa.htm)



### **Florida Senate Panel To Draft Internet Sales Tax Bill**

The Senate Budget Subcommittee on Finance and Tax intends to come out with a proposal to implement a sales tax on Internet purchases next month.

Committee chair Se. Ellyn Bogdanoff, R-Fort Lauderdale, said the proposed committee bill will make any tax increase revenue neutral, either by an overall drop in property or sales taxes, or by setting aside four sales tax holiday weekends per year.

Conventional retailers and "brick-and-mortar" stores say they face a disadvantage compared to online retailers, which don't invest in local communities and are exempt from the sales tax.

"It's wrong and economically senseless for punishing small business owners for investing in Florida," Daytona Beach resident Rose Anne Tornatore, owner of Wholesale Lighting Inc. told the committee Thursday. "People come in my store and look at things and then they buy it on the Internet and they don't pay tax."

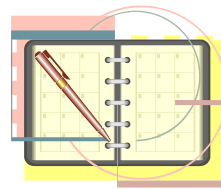
Heavyweight Florida business organizations such as the Florida Chamber of Commerce, Associated Industries of Florida and the Florida Retail Federation are backing the new Internet sales tax, but large online retailers such as Amazon.com favor federal legislation to handle the issue.

Bogdanoff noted that Florida House members working on the bill would also like to see any new Internet sales tax be offset by cuts, but said she favors adding general sales tax holidays because that's where the burden of the new tax would fall.

"The idea of the sale tax holiday is: That's how we got it, so that's how we'll give it back," she said, adding that any bill is not likely to come out before the state of the legislative session January 10<sup>th</sup>.

Other members on the panel prefer a different approach, with Sen. Jim Norman, R-Tampa, favoring a slight decrease in the overall sales tax, while Sen. Thad Altman, R-Viera, would like to see a reduction in property taxes.

## **TAX CALENDAR**



### **DECEMBER 2011**

#### **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**

Calendar-year corporations must deposit the fourth installment of estimated income tax for 2011.

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

## **JANUARY 2012**

### **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**

Individual taxpayers' final 2011 estimated tax payment is due unless the Form 1040 is filed by January 31, 2012, and any tax due is paid with the return.

### **January 31**

Employers must file Form UCT-6 with the Florida Department of Revenue.

Most employers must file Form 941 (Employer's Quarterly Federal Tax Return) to report Medicare, social security, and income taxes withheld in the fourth quarter of 2011. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until February 10 to file the return. Small employers who have been notified by the IRS should file Form 944 (Employer's Annual Federal Tax Return).

—Give your employees their copies of Form W-2 for 2011. If an employee agreed to receive Form W-2 electronically, have it posted on the website and notify the employee.

—Generally, give annual information statements to recipients of certain payments you made during 2011. You can use the appropriate version of Form 1099 or other information return. Form 1099 can be filed electronically with the consent of the recipient.

—File Form 940 [Employer's Annual Federal Unemployment (FUTA) Tax Return] for 2011 and deposit any unpaid tax using the EFTPS (electronic) system.

—File Form 945 (Annual Return of Withheld Federal Income Tax) for 2011 to report income tax withheld on all nonpayroll items, including backup withholding and withholding on pensions, annuities, IRAs, etc. If your tax liability is less than \$2,500, you can pay it in full with a timely filed return. If you deposited the tax for the year in full and on time, you have until February 10 to file the return.

### **Other helpful on-line services**



**[www.IRS.gov](http://www.IRS.gov)** **[www.MyFlorida.com](http://www.MyFlorida.com)**

**&**

**[www.Volusia.org](http://www.Volusia.org)**