

SPECIAL ALERTS

Health Care

Reporting Mandate

The IRS has posted a brief fact sheet on the Affordable Care Act to its site. The fact sheet contains the following information about the upcoming employer health-care reporting mandate:

Employer-Provided Health Coverage — Not Taxable

Starting in tax year 2011, the Affordable Care Act requires employers to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2. This reporting is for informational purposes only, to show employees the value of their health care benefits so they can be more informed consumers. The amount reported does not affect tax liability, as the value of the employer contribution to health coverage continues to be excludible from an employee's income and it is not taxable.



NEW FAQs ON HIRE ACT

HIRE ACT BENEFITS

Under the Hiring Incentives to Restore Employment (HIRE) Act, two new tax benefits are available to employers who hire certain previously unemployed workers. These are a payroll tax exemption and a new hire retention credit. To qualify as a previously unemployed worker, employees must have been employed for no more than 40 hours during the 60-day period ending on the date of hire.

NEW FAQs

The IRS recently released new FAQs on qualified employees. The new FAQs provide the following guidance:

- Work performed as a self-employed individual does not count in determining whether the individual was employed for 40 hours or less during the 60-day period.
- The payroll tax exemption can apply to workers hired to replace the following terminated workers:
 - Workers who terminated employment voluntarily
 - Workers who were terminated due to gross misconduct
 - Workers who were terminated due to poor performance, and
 - Workers who were terminated in a reduction of force due to lack of work (in other words, workers who were laid off).
- Employees who have been on furlough, standby, or temporarily laid off and who resume active status will only qualify for the tax benefit if the furlough, standby, or temporary layoff actually constituted termination of employment based on the facts and circumstances.
- A minor can sign the employee affidavit Form W-11.

For the Tax Pro

QUESTION OF THE MONTH

Health Care Tax at Tax-Exempt Businesses

Q. Is the small business health care tax credit available for tax-exempt organizations? If so, how does it differ from the credit available to for-profit businesses?

A. Yes, the tax credit is available for qualified tax-exempt organizations. Generally, eligibility requirements are the same. The organization must have 25 or fewer full-time equivalent employees, pay an average annual wage of \$50,000 or less, and pay at least 50% of qualified health care premiums. The credit differs from the credit available for for-profit businesses in the following ways:

- The maximum credit is 25% (instead of 35%) of the employer-paid premium for 2010 through 2013.
- The credit amount increases to 35% (instead of 50%) in 2014. As with for-profit businesses, the credit may be claimed only for two consecutive years after 2013.
- The credit is refundable, so tax-exempt organizations with no regular tax or AMT liability may still take advantage of the new credit.
- The credit cannot be more than the total of 1) income tax withheld from employees' wages, and 2) the employee and employer share of Medicare taxes on employees' wages.

INTEREST RATES UNCHANGED FOR FOURTH QUARTER 2010

The IRS announced in IR-2010-90 that interest rates for the fourth calendar quarter of 2010 (beginning October 1) remain unchanged. This is the sixth quarter in a row that rates have not changed. The rates are:

- 4 percent for overpayments (3 percent in the case of a corporation);
- 4 percent for underpayments;
- 6 percent for large corporate underpayments; and
- 1.5 percent for the portion of a corporate overpayment exceeding \$10,000.

New Form 1099-K Information Reporting Requirements for 2011

The Housing Assistance Tax Act of 2008 placed a new reporting requirement on credit card sales. This requirement is effective beginning in 2011. Under §6050W, the new law requires banks and third-party payment processors to report the gross amount of money a business receives through credit card transactions during the year. Therefore, banks and other companies that process credit card payments (such as PayPal) will be issuing Form 1099-K to the IRS and to businesses beginning with 2011 transactions. A draft version of Form 1099-K, Merchant Card and Third-Party Payments is already available on the IRS website.

ADVANCED EITC REPEAL BEGINNING IN 2011

Congress passed the Education Jobs and Medicaid Assistance Act (HR 1586) and the President signed the measure into law (P.L. 111-226) on August 10, 2010. As the title of the Act implies, the purpose of the bill is to provide funding to states for teachers' salaries and Medicaid programs. The Act eliminates the advanced EITC starting in 2011. Before 2011, qualified taxpayers can request advanced EITC in the form of additional payments added by their employers to their wages. Employers then claim a payroll tax credit for the advanced EITC payments. This change will eliminate Form W-5, Earned Income Credit Advanced Payment Certificate, beginning in 2011. Changes will also need to be made to Form W-2 and Form 941 for 2011.

Note: Elimination of the advanced EITC is expected to be a revenue raiser. While it is estimated that less than 3% of EITC eligible taxpayers actually sign up for the advanced EITC each year, the program has been subject to fraud. Other revenue raisers in the Act involve closing loopholes on claiming the foreign tax credit (for example, claiming the credit without reporting the foreign income).

TAXWORKS TIP OF THE MONTH - FORM LINKS

Many of your tax returns can be prepared from the main General Information screen by using Form Links.

Click the underlined, highlighted form name or description to access the associated form. Make entries on the form then click the green arrow button at the left of the input form control bar to return to the previous screen. For example, on the General Information screen, under the Adjustments heading, click the Schedule A link for Itemized Deductions. The program opens the Schedule A input screen. After entering Schedule A information, click the green arrow button to return to the General Information screen.

Click the arrow to link back to the General Information screen.



Click the form name to link to the applicable form.

Power Seminar Dates

Don't Wait to Register

Fifteen years ago we started our Power Training Seminars. Our purpose and goals were many, but two main objectives remain: 1) provide clients training on topics they may not otherwise receive; 2) give clients the opportunity to meet one-on-one with the decision makers of the tax software they use for their livelihood.

Although we receive requests regarding other locations, our responses are overwhelmingly positive in preserving the locations we currently hold the seminars. That stated, our 2010 seminars will be held at the following locations on the dates specified:

LAYTON, UT—MON. & TUES. DECEMBER 6th & 7th, 2010

Davis Convention Center—Rooms \$99 per night Single/Double occupancy at the adjoining Hilton Garden Inn. For reservations call: 1-800-861-8712.

LAS VEGAS, NV—THURS. & FRI. DECEMBER 9th & 10th, 2010

Treasure Island Resort —Rooms \$89 per night Single/Double occupancy. For reservations call: 1-888-503-8999

ORLANDO, FL—MON. & TUES. DECEMBER 13th & 14th, 2010

Walt Disney's Coronado Springs Resort® Rooms \$119 per night Single/Double occupancy. For reservations call: 1-407-939-1020

Special Rates

Special rates apply for the night prior to, and the first night of the seminars. If staying at the seminar location you **MUST CALL THE SPECIFIED HOTEL LINE FOR RESERVATIONS, NO LATER THAN NOVEMBER 1, 2010**, to receive the TaxWorks special discount. Remember to mention TaxWorks for our special rate. Includes up to 16 hours of CPE* credit, luncheon, continental breakfast, and materials.

Registration fee is only \$295 per person

A basic understanding of computer use and tax law is required for attending this seminar. Topics will range from basic to advanced courses. Beginning topics include: Boot Camp for New Users (which covers the basics of the program), use of new technology, electronic filing, sample returns, etc. Advanced topics include:

Asset Manager, 1040 returns, Business returns, etc. Refer to www.taxworks.com for topics and their level of complexity. This program is a "live-group" offering, and will include interaction between attendees and presenters.



CALL 800.230.2322 TO REGISTER