

Freeman & Williams, LLP (775) 882-3201

Articles:

- 2009 E-file 1
- New Hire Credit 1
- New E-Pay Law 2

E-file Tips:

- Most returns will qualify for e-file. A few exceptions remain for forms and attachments that the IRS does not accept electronically.
- Fill out the e-file page in the tax organizer sent prior to each filing period.
- Promptly send back the signed e-file authorization release after you receive your return. Signing the tax organizer does not satisfy this requirement.

2009 E-file

Another tax season has passed and we wanted to take this opportunity to thank you for being a client and address a topic that was of interest to many of you during the year: should I e-file my return? The Internal Revenue Service's goal is to have 80% of all individual tax returns filed electronically by 2012. Most States are also pushing e-file to reduce processing costs. Some states have made electronic filing of returns

mandatory for tax preparers. E-filing your return can be beneficial. For one, the IRS confirms receipt of your return, usually within 48 hours. Another benefit to e-file is that return and refund processing times are less for e-filed returns. There have been concerns expressed about e-filing. Some of the more common ones are: is there a greater chance of identity theft if I use the e-file system? and do I have to pay earlier if I owe with

my return and use e-file? In answer to the first question, the IRS has never had a security breach in the e-file system, and to answer the second question, you can pick any date to send your payments or have a payment withdrawn as long as it is done before the due date of the return. E-file has proven to be safe and effective. Should you have questions related to e-file or need any additional tax advice or information, please contact our office at (775) 882-3201.

New Hiring Credits

To encourage employers to get more of our workforce back to work, President Obama recently signed the Hiring Incentives to Restore Employment Act of 2010 (2010 HIRE Act.) A couple of the Acts' key provisions are summarized in this article.

Payroll Tax Relief

- Qualified employers don't have to pay the 6.2% EMPLOYER portion of social security taxes for wages earned by qualified new hires from March 19 - December 31, 2010. The employee's share of the 6.2% portion of social security must still be withheld and remitted. Both the employer and employee remain responsible for the 1.45% portion of social security taxes related to Medicare.
- Qualified employee
 - Begins work after February 3, 2010 and before January 1, 2011.
 - Was not employed for more than 40 hours during the 60-day period ending on the date that the individual begins employment.
 - Does not displace a worker who is currently on the employer's payroll unless the worker voluntarily separated from employment or was separated from employment for cause.
 - Not related to the employer.
 - Works any number of hours, full-time or part-time.

Continued on page 2

New Hiring Credits – continued

- Compliance / Paperwork
 - New Form W-11 (available at www.irs.gov) must be filled out and signed by the new hire.
 - First quarter 2010 - Remit the full amount of social security taxes paid on qualified new hires.
 - Second quarter 2010 – Claim a credit on Form 941 for payments in the first quarter that qualified.
 - Second through fourth quarters of 2010 - Reduce the amount of payroll taxes remitted by the reduction in taxes allowed under the Act.



Retained Worker Credit

- Encourages retention of the qualified new hire.
- The credit is equal to the lesser of \$1,000 or 6.2% of each retained worker's wages for a 52-week consecutive period.
- Retained worker
 - Employed by the qualified employer on any date during a tax year ending after March 18, 2010;
 - Continued in that employment for a period of at least 52 consecutive weeks; and
 - Earned wages during the last 26 weeks of that period equal to at least 80% of the wages for the first 26 weeks of the period.

Stay Tuned

Congress has been very busy during 2010. Many of the provisions are complex and phase in over a number of years. We will be keeping you informed throughout the year of what these changes are and how they will affect you and your business. You can find copies of this and prior letters on our website at www.fwcpas.com.

“If you do not receive notification from the FTB, you are still required to remit payments electronically once you meet either of the above thresholds.”

California Mandatory E-pay Law

On September 30, 2008, Governor Schwarzenegger signed Assembly Bill 1389, which requires individuals to remit **ALL** future payments electronically once they either: make an estimated tax or extension payment (by check or electronic method) over \$20,000 for a taxable year beginning on or after January 1, 2009; **OR** file an original return with a tax liability over \$80,000 for a taxable year beginning on or after January 1, 2009.

Although the new mandatory e-pay law was originally supposed to take

effect for estimated payments made in 2010, the FTB has extended compliance until 2011 payments. When you are required to make electronic payments but pay by other means, the Franchise Tax Board (FTB) can assess a penalty equal to 1 percent of the amount paid, unless your failure to pay electronically was for reasonable cause and not willful neglect.

Payments covered by the law

If you make a payment or file a return meeting the e-pay requirement, the FTB will send you a Mandatory e-pay

Program Participation Notice, advising you that all future payments must be remitted electronically. When you receive this notice, please send it to us **IMMEDIATELY**. **NOTE:** If you do not receive notification from the FTB, you are still required to remit payments electronically once you meet either of the above thresholds.

Once you meet the mandatory e-pay threshold, you are required to make **ALL** subsequent FTB payments electronically, regardless of the amount, type, or taxable year.

Continued on page 3



California Mandatory E-pay Law - continued

For example: You make your first quarter estimated tax payment of \$25,000 on 4/15/09 by paper check. Starting in 2011, all payments (for example, a bill payment from a previous year, an amount due with your return, or your estimated tax payments) must be made electronically.

Electronic payment methods

You can make your electronic tax payments using one of the following methods:

- Pay online with Web Pay: Under this option, individuals can make FTB payments through the FTB's website at www.ftb.ca.gov. Payments can be scheduled up to one year in advance.
- Request an Electronic Funds Withdrawal (EFW) on your e-file return: Under this option, Freeman & Williams, LLP can set up your quarterly estimates and amount due with your return through our tax software. You just need to provide us with the bank

account information that you wish to have the funds withdrawn from.

- Pay by credit card either over the telephone or online.
- Use the pay-by-phone option: Under this option, individuals must first complete and submit Form FTB 4073, Mandatory e-pay Pay-by-Phone Authorization Agreement for Individuals. The FTB will notify you in writing when your form is approved.

The above methods are the only acceptable ways to submit electronic payments. Making a payment using your bank's online bill payment system is not an electronic payment.

Don't wait until it's too late

Although the FTB does not require mandatory electronic payments

until 2011, individuals can choose to implement the new law at any time prior to 2011. However, even if you choose to wait, you need to be aware of the change and how they will impact your FTB payment requirements.

If you have any questions regarding the changes outlined above, please call our office and we will assist you in your compliance decision.

Freeman & Williams, LLP

3470 G.S. Richards Blvd
Carson City, NV 89703

PHONE:
(775) 882-3201

FAX:
(775) 882-2593

E-MAIL:
fw@fwcpas.com

Questions?

If you have any questions about an article in this newsletter or any tax issue, please feel free to contact our office at (775) 882-3201. You can also find a copy of this newsletter as well as our other updates and notices at www.fwcpas.com.