

## **Major tax deadlines for March**

- \* March 1 – Farmers and fishermen who did not make 2011 estimated tax payments must file 2011 tax returns and pay taxes in full.
- \* March 15 – 2011 calendar-year corporation income tax returns are due.
- \* March 15 – Deadline for calendar-year corporations to elect S status for 2012.

## **Payroll tax cut extended through 2012**

Congress passed an extension of the 2% payroll tax cut that had been scheduled to expire at the end of February. The extension means 160 million working Americans will continue to pay social security tax on their wages at a 4.2% rate for the rest of 2012, rather than at a 6.2% rate.

Because Republicans and Democrats were unable to agree on how to pay for the extended tax cut, the law included no spending cuts to offset the estimated \$93 billion cost of this provision.

The law also provides for long-term federal unemployment benefits, setting the maximum at 73 weeks in states with the worst unemployment and 63 weeks for other states.

Another provision in the law includes the so-called “doc fix” that prevents a scheduled 27% reduction in Medicare payments to doctors.

The unemployment benefits and doctor payments will be paid for by government sales of broadband spectrum, requiring federal workers hired after this year to contribute more to their pensions, and cuts in certain health programs.

## **New foreign investment reporting requirement**

If you own foreign investments, you may have an additional federal tax filing requirement this year. Form 8938, Statement of Specified Foreign Financial Assets, is due April 17, 2012, and is filed as part of your individual tax return. You’ll use Form 8938 to disclose interests in certain foreign financial accounts when your ownership exceeds the reporting requirements.

What are the reporting requirements? They vary depending on where you live and your filing status. For example, say you're married and live in the United States, and you'll file a joint tax return for 2011. You'll include Form 8938 with your tax return when the total value of your reportable assets on the last day of 2011 was more than \$100,000, or if the value exceeded \$150,000 at any time during the year (\$50,000 and \$75,000 for singles).

Tip: In some cases, you may also need to file Form 8938 for tax year 2010.

Reportable assets include investment accounts you own that are held in foreign financial institutions, interests in foreign entities, and stocks or securities issued by foreign individuals or companies.

You've probably noticed the reporting requirements are similar to the Report of Foreign Bank and Financial Accounts (FBAR), a separate return you may already be filing. Be aware the new Form 8938 does not replace the FBAR, which you'll still need to complete by June 30.

Penalties for failure to file Form 8938 start at \$10,000. We urge you to contact us so we can help you evaluate your filing requirements for foreign investments.

## **IRS reopens disclosure program**

To encourage taxpayers with offshore accounts to get current with their tax obligations, the IRS has reopened its "offshore voluntary disclosure program (OVDP)." Similar programs in 2009 and 2011 resulted in the collection of more than \$4.4 billion of taxes owed.

The 2012 program will be similar to the 2011 program; however, one difference is that there is currently no deadline by which taxpayers must apply.

## **Is your small business overlooking this tax credit?**

Health care legislation passed in 2010 included a tax credit for small businesses that provide health care coverage for their employees. Recent surveys have shown that the majority of small companies that might qualify for the credit have failed to take it. The reasons given for ignoring the credit ranged from being unaware of it to finding the credit too complicated to compute.

\* Take another look. If your business or nonprofit organization might be eligible, perhaps you should take another look at the requirements and be sure you're taking advantage of this tax break.

If you qualify, you can use this tax credit to offset your federal income tax liability by up to 35% of the cost of health insurance premiums you pay for employees. Since this is a tax credit, not a deduction, it will reduce your tax bill dollar-for-dollar.

\* The basic requirements. In general, the credit is available to employers that have fewer than 25 full-time equivalent (FTE) employees paying average annual wages of less than \$50,000 per employee. Eligibility is based partially on FTEs, not the number of employees; therefore, an employer with fewer than 50 half-time workers could qualify for the credit.

The maximum credit goes to those employers with ten or fewer employees who pay annual average wages of \$25,000 or less.

When you're self-employed, either as a partner or a sole proprietor, or if you own more than 2% of an S corporation, you're not considered an employee for purposes of the credit.

Tax-exempt organizations can use the credit to offset payroll tax liability (up to 25% of qualified premiums paid).

For assistance in determining eligibility for this tax credit and in doing the calculations to obtain the credit, contact our office.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.