



DONOVAN SULLIVAN & RYAN

January 2012

A Newsletter for our Clients and Friends

INDIVIDUAL TAX RETURN TIME



FROM THE
PARTNERS
PEN....

Dear Clients and Friends,

Happy New Year! Tax season is upon us once again. You should have received your 2011 tax organizer by now. If not, please contact Joyce Foley at jfoley@dsr CPA.com. Also, take a moment to read our article on this page about how to prepare and organize your tax information for us.

We are looking forward to a successful tax season and we need your help. Please make every effort to respond to our requests as quickly as possible. Our preferred method of communication is through e-mail so please make sure that your current e-mail address is the one that is noted in your tax organizer.

As always, we welcome your referrals of any friends or business associates that are in need of our services.

Wishing you all the best in 2012!

Sincerely,

Mike Ryan

"May all your troubles last as long as your New Year's resolutions".

~ Joey Adams

At this time of year we need your help and cooperation in order to provide you with superior service. You should have recently received your 2011 Individual Tax Return Organizer and Engagement Letter. These materials are designed to provide us with the information and documentation needed to properly prepare your returns. Our goal is to make sure that you do not pay any more taxes than legally required under the tax laws.



Please accumulate all the tax documents that you will be receiving over the coming weeks and keep them with your organizer. When you believe you have received everything needed, please review your organizer to see if anything is missing. When you have all your information, please complete the organizer. You do not need to enter information on the organizer if you are sending us original source documents which include that information. That is, you do not need to fill in W-2 wage amounts or 1099-Interest amounts if you are providing us with those documents. Be sure to answer all the questions in the organizer making sure you provide us with all pertinent information such as any estimated taxes you paid, amounts of any charitable contributions and all health insurance information (forwarding your 1099-HC would be sufficient).

Please sign **both** the Tax Organizer and Engagement Letter and return everything to our office as soon as possible. **Without these signed documents, we will not be able to begin working on your returns.** Don't forget to include your email address so that we can contact you with any questions. If you would like to schedule an appointment, please give us a call.

Social Security Updates for 2012

- ◆ The Social Security wage base will increase to \$110,100 in 2012 from \$106,800, which was the wage base for 2009 - 2011.
- ◆ The tax rates for FICA and Medicare will be 4.2% and 1.45%, respectively.
- ◆ There will be a cost of living increase of 3.6% for Social Security recipients in 2012. This is the first inflation adjustment in two years. There will be an increase in Medicare Part B premiums of \$3.50 a month, raising premiums to \$99.90 per month.

"More than accountants....business advisors"

2012 Standard Mileage Rates Announced

Beginning on January 1, 2012, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- **55.5 cents per mile for business miles driven**
- **23 cents per mile driven for medical or moving purposes**
- **14 cents per mile driven in service of charitable organizations**



The rate for business miles driven is unchanged from the mid-year adjustment that became effective on July 1, 2011. The medical and moving rate has been reduced by 0.5 cents per mile.

IRS AUDITS

The IRS audit rate for individual returns filed in fiscal year (FY) 2010 was 1.1 percent, according to statistics released by the IRS in 2011. This represented approximately 1.6 million returns out of the estimated 143 million returns filed by individuals. The audit rate for individual returns with positive income of \$1 million or more was 8.4 percent for FY 2010. The FY 2010 audit rate for small corporations (corporations with assets below \$10 million) was 0.9 percent. The FY 2011 audit rate for large corporations was 16.6 percent.

The majority of individual audits (75%) in FY 2010 were correspondence audits. However, a trend toward in-person audits for both individuals and businesses seems to be growing. In 2011, it was reported that the number of IRS revenue agents and tax compliance officers who conduct audits increased by four percent from FY 2009 to FY 2010. The IRS is also using increased and more sophisticated audit strategies in connection with small businesses in which the noncompliance rate in some sectors is above 50 percent.

WHAT NOT TO SEND WITH YOUR TAX RETURN INFORMATION

After you have filled out your Individual Tax Organizer and begin to gather all of your tax documents to send along to us, here are a few things that you do not have to include:

- ◆ Prescription receipts or copies of any medical bills/receipts.
- ◆ Donation Letters
- ◆ Real Estate Tax Bills
- ◆ Excise Tax Bills
- ◆ Any check copies or copies of personal bank statements

We do need to know the totals of the above items and you can indicate them in your organizer. In the event you are audited, you should hold on to all backup of items that support the amounts you give us.

Please note also that auto license and registration fees, water and sewer fees and political campaign contributions are not tax deductible and it is not necessary to include those items with your tax information.

Also, when forwarding us a copy of your QuickBooks file, please do not send us the Accountant's Copy or Portable File. Just send us a Backup copy of your QuickBooks file and the password.



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