

THIS MONTH:

- 1st Quarter Due Dates
- 2013 Standard Mileage Rates
- Debit Card Payments Will Soon Be Subject to 1099-K Reporting and Backup Withholding
- Documenting Shareholder Loans • Report of Foreign Bank and Financial Accounts Requirements

1st Quarter 2012 Due Dates

January 15:

- **Individuals:** Fourth quarter 2012 estimated tax payments due (final installment).

January 31:

- **Employers:** Give your employees their copies of Form W-2 for 2012. File Form 941 for 4th quarter 2012, or annual Form 944. File Form 940 for 2012.
- **Businesses:** Distribute Form 1099 to recipients for 2012.

February 15:

- **Employees:** Submit a new Form W-4 to your employer.

February 28:

- **Employers:** File Form W-3 with Copy A of all Forms W-2, and Form 1096 with Copy A of all Forms 1099. Large food or beverage establishments file Form 8027 to report 2012 tip income, reported tips, and allocated tips.

March 15:

- **Calendar-Year Corporations:** 2012 income tax return (Forms 1120 and 1120S) due, or file Form 7004 for an automatic six-month extension. Provide shareholders with copy of Schedule K-1 (Form 1120S.)
- **C Corporations & LLCs:** File Form 2553 to choose to be treated as an S corporation beginning on January 1, 2013.

2013 Standard Mileage Rates

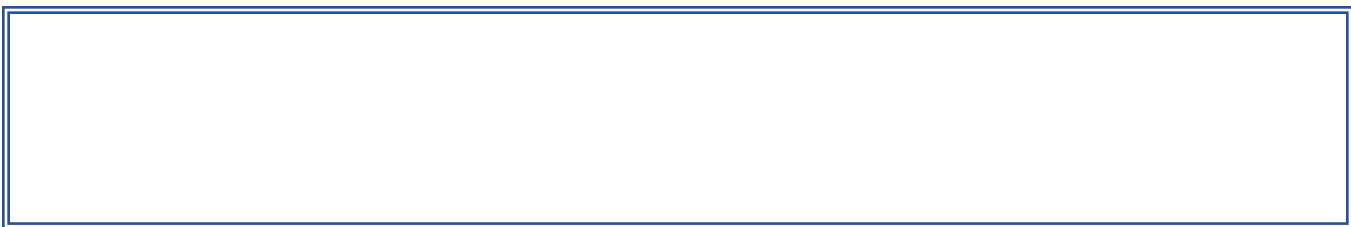
Beginning January 1st 2013, the standard mileage rates for the use of a car will be:

- 56.5 cents per mile for business miles
- 24 cents per mile driven for medical/ moving
- 14 cents per mile charitable service



Debit Card Payments Will Soon Be Subject to 1099-K Reporting and Backup Withholding

Banks, online payment processors, and other third party networks are required to withhold federal income tax on debit card, credit card, and third-party store gift card payments to certain recipients after December 31, 2012. Payments made to any payee who has not provided a TIN are automatically subject to backup withholding. Payees who have provided their TIN information will not be subject to backup withholding on their 1099-K transactions until they have reached \$20,000 in payments and 200 transactions. Transactions subject to the 1099-K reporting requirements will include all debit card and credit card transactions, third-party network payments (such as PayPal), and gift card payments which use a third-party (such as Visa or American Express gift cards).



Documenting Shareholder Loans

Shareholders are not allowed to have a revolving loan account with their corporation. Loans to shareholders from the corporation (or loans from shareholders to the corporation) must have written documentation. Shareholder loan documentation should resemble a typical bank's loan. Loan terms between the shareholder and the corporation should have a reasonable interest rate and the date or terms of repayment. Shareholder loans to the corporation which lack documentation are treated as contributed capital. Shareholder loans from the corporation which lack documentation or which cannot be repaid are treated as either dividends (C-Corp) or distributions (S-Corp). De minimis rules allow some relief to shareholder's though. Loans which are less than \$10,000 between the shareholder and the corporation do not require documentation, if the loan can reasonably be expected to be repaid in less than one year.

Report of Foreign Bank and Financial Accounts Requirements

FBAR rules were established to protect against international terrorism. The reports filed as a result of this regulation provide leads to investigators that facilitate the identification and tracking of illicit funds or unreported income, as well as providing additional prosecutorial tools to combat money laundering and other crimes.

Any US person who has a financial interest in or signature authority to control the disposition of money or other authority over any financial account in a foreign country, if the aggregate value of these accounts exceeds \$10,000 at any time during the calendar year. The FBAR is due by June 30 of the year following the year that the account holder meets the \$10,000 threshold. An extension to file Federal income tax returns does not extend the due date for filing an FBAR. Filers cannot request an extension of the FBAR. Failure to file form TD F 90-22.1 when required to do so may potentially result in civil penalties, criminal penalties or both.

- **Failure to File Penalty** – up to \$250,000 and/or up to 5 years in prison for any person "willfully violating" the requirements to file.
- **Fraud Penalty** – up to \$500,000 and/or up to 10 years in prison for any person "willfully violating" the requirements to file "as part of a pattern of any illegal activity involving more than \$100,000 in a 12-month period."
- **False Information Penalty** – fine or up to 5 years in prison for any person providing false, misleading, fictitious, or fraudulent statements on TD F 90-22.1; or up to 8 years in prison if the false information involves domestic or foreign terrorism.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.