



## THIS MONTH:

- ◆ 3rd Quarter Due Dates
- ◆ Prepare for Summer Storms!
- ◆ Tax Deductible Vacations



### 3rd Quarter 2012 Due Dates

#### August 1:

- ◇ *Employers.* File Form 941 for 2nd quarter 2012.
- ◇ *Employers.* Form 5500 or 5500-EZ for calendar year 2011 due if you maintain an employee benefit plan, or file Form 5558 to request an extension.

#### September 17:

- ◇ *Individuals.* 3rd installment of 2012 estimated tax due.
- ◇ *Calendar-year C Corporations.* 3rd installment of 2012 estimated tax due.
- ◇ *Corporations.* 2011 returns due for calendar-year C & S Corporations (Form 1120 & 1120S) if on extension.
- ◇ *Partnerships.* Calendar year 2011 return due (Form 1065) if on extension.

## Prepare for Summer Storms!

Power outages can wreak havoc on electronic files. Safeguard your personal and business assets by taking the following steps:

**Create a Backup Set of Records Electronically.** Keep a set of backup records stored away from the original set. Remember to scan paper documents into an electronic format!

**Document Valuables.** Photograph or videotape the contents of your home or business, especially items of higher value, to prove the market value of items for insurance and casualty loss claims.

**Update Emergency Plans.** Emergency plans should be reviewed annually and distributed to all employees. Don't forget the new hires!

**Maintain Current Contact Information for Employees and Customers.** Ensure that you can communicate with employees and clients in the event of business disruption. Email is your best method when the phones are down!

**Know How to Get Help.** Federal and State agencies can offer assistance, such as FEMA, the Small Business Association, and the Department of Homeland Security. The IRS website also has a downloadable Disaster Losses Kit.

## Tax Deductible Vacations

*Although business is business, and pleasure is pleasure, the world rarely adheres to absolutes. So, as the summer vacation season begins to unfold, you may want to consider mixing some leisure time in with your business travel. With a little planning, you can get Uncle Sam to subsidize your downtime.*

**Business or Pleasure.** The IRS doesn't specify the determination of whether a trip is for business or pleasure on domestic trips. However, looking to the rules on international travel for guidance, the number of days spent on each type of activity is the key. An important factor in determining if the trip is primarily business or pleasure is the amount of time spent on each, although this isn't the sole factor. In general, the trip is "primarily for business" if more than half of the days are spent on business activities.

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The following days count toward your total business days:

- Travel days;
- Weekends and holidays, if they fall between days devoted to business and it would be impractical to return home;
- “Standby days,” when your physical presence is required, also count as business days – even if you’re not called upon to work on those days;
- Any other day *principally* devoted to business activities during normal business hours; and
- Days you intended to work but couldn’t due to reasons beyond your control (local transportation difficulties, power failures, etc.).

If the trip doesn't involve the actual conduct of business but is for the purpose of attending a convention, seminar, etc., IRS checks the nature of the meetings carefully to make sure they are not vacations in disguise. Be careful to save all material helpful in establishing the business nature of this travel. Meticulous recordkeeping and thorough planning are necessary.

**Transportation Costs.** The cost of traveling within the US is 100% deductible as long as the primary purpose for the trip is business. In contrast, no travel deductions are allowed if the main reason for a trip is personal.

**Meals and Lodging.** Once at your destination, expenses for such items as lodging, hotel tips, local cab fares, and 50% of meals are deductible when related to business days. However, these same types of expenses aren’t deductible for non-business days. Additionally, no deduction will

be allowed for meals or lodging to the extent the expense is “lavish or extravagant.” Although this term isn't defined in the tax rules, it has been interpreted to mean “unreasonable.”

Personal entertainment costs on the trip aren't deductible (such as a sightseeing tour), regardless of the day on which they fall. But business-related costs such as dry-cleaning, phone calls, and computer rentals are.

**Taking Your Spouse.** The rules on deducting the costs for a spouse accompanying you on a business trip are very restrictive. No deduction is allowed unless your spouse is an employee of yours or your company and his or her travel is also for a business purpose. This means you can't deduct the travel costs of a spouse, even if his or her presence has a bona fide business purpose, unless your spouse is a bona fide employee of your business.

If your spouse is your employee, and if his or her presence on the trip serves a bona fide business purpose, then you can deduct his or her travel costs. Merely having your spouse perform some incidental business service – such as typing up notes from a meeting – isn't enough to establish a business purpose. In general, it isn't sufficient for your spouse's presence to be “helpful” to your business pursuits—it must be “necessary.”

If your spouse's travel is not deductible, you can still deduct your own travel and meals; however, a shared cost – as with lodging – is deductible only at the single rate.

Not sure whether your travel expenses will be deductible? Take a few minutes to give our office a call.

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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.