

# TRONCONI SEGARRA & ASSOCIATES<sup>LLP</sup>

Certified Public Accountants  
Business Consultants

Small Business Group

[www.tsacpa.com](http://www.tsacpa.com)

WINTER 2012 NEWSLETTER

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HELPING OUR SMALL BUSINESS CLIENTS REACH THEIR FULL POTENTIAL



## New York State Reduces Tax Rates Beginning in 2012

## Merger News

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On December 9, 2011, New York's Governor Andrew Cuomo signed bill S50002-2011, which lowered corporate tax rates for manufacturers and reduced the individual income tax rates for single and joint resident individual income tax filers, both beginning in 2012.

### Manufacturer tax rates

The new law provides a 50 percent tax rate reduction for eligible qualified New York manufacturers effective for taxable years beginning on or after January 1, 2012 and before January 1, 2015. The tax rate for qualified manufacturers is reduced from 6.5 percent to 3.25 percent of the taxpayer's entire net income base. In addition, both the alternative minimum tax (AMT) rate and the applicable fixed dollar minimum are also reduced by 50 percent. The AMT rate will drop from 1.5 percent down to 0.75 percent.

The specific guidelines and criteria, which defines the eligibility requirements of a "qualified New York manufac-

turer" is yet to be determined by the Commissioner of the Department of Taxation & Finance. The guidelines and criteria would include, but not be limited to, a number of factors including: regional unemployment, the economic impact that manufacturing has on the surrounding community, and population decline within the region in which the manufacturer is located.

### Individual tax rates

For more information on the lower individual income tax rates and other changes under the 2012 New York State tax bill, please do not hesitate to contact our office or [click here](#).

### Quotable Quotes

"Congress can raise taxes because it can persuade a sizeable fraction of the populace that somebody else will pay."

Milton Friedman

Recently, Tronconi Segarra & Associates LLP announced its exciting merger with Domachowski, Kempisty & Salvatore, CPAs, P.C. ("DKS"). The newly-combined firm has retained the name Tronconi Segarra & Associates LLP ("Tronconi Segarra") and now has over 90 associates (including 11 partners and 8 principals), providing services to clients from our Williamsville, Clarence and Niagara Falls offices.

How does this merger benefit our clients? First, for clients of the DKS firm, the merger brings access to new services that have been available to Tronconi Segarra clients for many years. One such service – state and local tax consulting – provides clients with sales and excise tax overpayment studies and refund claim filing; utility studies; and much more. Other services include business valuations; assistance with Canadian cross-border taxation; and cost segregation studies designed to accelerate depreciation, decrease tax liability and increase cash flow. Current Tronconi Segarra clients will benefit from having greater bench strength and additional expertise within our Firm.

We offer a sincere "Welcome!" to all new Tronconi Segarra clients; and to all of our clients, we thank you for your confidence in us and our services.

Joseph M. Falbo, Jr., CPA  
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We value your feedback about our newsletter. Forward your comments to [SmallBusinessGroup@tsacpa.com](mailto:SmallBusinessGroup@tsacpa.com)

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*“The fate of the Bush-era tax cuts will likely be one of the major issues in the 2012 presidential election.”*

SPECIAL  
FEATURE

[Click here to view/download our feature article: “2011 Tax Year-in-Review”](#)

Did You Know...

The Small Business Group at Tronconi Segarra & Associates offers a wide range of services and assistance, including:

- ◆ Corporate & individual tax planning & consulting
- ◆ Corporate & individual tax compliance
- ◆ Tax research
- ◆ Representation before federal and state tax authorities
- ◆ QuickBooks and other accounting software set up, training and consulting
- ◆ Recordkeeping review to identify efficiencies
- ◆ General ledger maintenance
- ◆ Financial statement preparation
- ◆ Account reconciliations
- ◆ Preparation of amortization and depreciation schedules
- ◆ Form 1099 processing and filing
- ◆ Payroll entry recording
- ◆ Sales tax preparation and filing
- ◆ Staff training

[Contact us today for more information!](#)

## Looking Back: Top 10 Federal Tax Developments of 2011

Looking back over 2011, many tax decisions were made that impacted taxpayers of all types. Here is a brief recap of the top 10 federal tax developments of 2011.

### 1. Bush-era tax cuts remain unresolved

Reduced individual income tax rates, marriage penalty relief, an enhanced child tax credit, and much more are part of a package of tax breaks known as the “Bush-era tax cuts.” All of these incentives were renewed in 2010 and are scheduled to expire after 2012. President Obama wants to allow the Bush-era tax cuts to expire for higher income individuals. The fate of the Bush-era tax cuts will likely be one of the major issues in the 2012 presidential election.

### 2. Foreign account reporting oversight increases

The Treasury Department and the IRS have ratcheted-up their oversight of foreign accounts. The Treasury Department issued final rules on Form TD-F 90-22.1, Report of Foreign Bank and Financial Accounts (FBAR) in February 2011. The IRS also launched a new campaign in 2011 to encourage taxpayers to voluntarily disclose unreported offshore accounts.

### 3. Payroll tax cut extended only for two months

President Obama signed the Temporary Payroll Tax Cut Continuation Act of 2011 in December 2011. The new law only extends the employee-side of the payroll tax cut through the end of February 2012.

### 4. Cell phones removed from listed property category

In September 2011, the IRS issued guidance on the treatment of employer-provided cell phones as an excludible fringe benefit.

### 5. IRS launches Voluntary Classification Settlement Program (VCSP)

In September 2011, the IRS launched a new program to enable employers to voluntarily reclassify their workers for federal employment tax purposes and take advantage of a reduced penalty framework. The VCSP is open to employers currently treating their workers as independent contractors and who want to prospectively treat the workers as employees. More to come in our next Issue.

### 6. IRS makes mid-year 2011 adjustment to business standard mileage rate

For the third time in six years, the IRS announced a mid-year adjustment to the business standard mileage rate because of rising gasoline prices. The business standard mileage rate increased from 51 cents-per-mile to 55.5 cents-per-mile for the second half of 2011. It remains the same for 2012. The medical and moving standard mileage rate increased from 19 cents-per-mile to 23.5 cents-per-mile for the second half of 2011. For 2012, it drops to 23 cents-per-mile. The statutorily-determined charitable standard mileage rate remains at 14 cents-per-mile for 2012.

### 7. FUTA surtax expires

In 1976, Congress enacted the 0.2 percent FUTA surtax

to help repay federal revenues paid in unemployment benefits. The Worker, Homeownership and Business Assistance Act of 2009 extended the surtax through 2010 and the first six months of 2011. The 0.2-percent FUTA surtax expired after June 30, 2011. The Form 940 for 2011 reflects the mid-year expiration of the FUTA surtax.

### 8. IRS continues Fresh Start Initiative

During 2011, the IRS continued its Fresh Start Initiative, which the agency explains is its response to the economic slowdown. The Fresh Start Initiative allows lien withdrawals for taxpayers entering into or converting to a direct debit installment agreement. The IRS also announced it would make streamlined installment agreements available to more small businesses.

### 9. Basis overstatement Regulations

The Supreme Court agreed in September 2011 to resolve a split among the Federal Courts of Appeal over IRS Regulations that can trigger the six-year statute of limitations assessment period due to an understatement of gross income attributable to an overstatement of basis in property sold.

### 10. Congress bans tax strategy patents

In September 2011, President Obama signed the America Invents Act, which treats any strategy for reducing, avoiding or deferring a tax liability as prior art under patent law and therefore not patentable.

## What Really Increases Your Audit Potential?

Some taxpayers believe that filing for an extension will increase their audit risk. However, this is a common myth. The information on your tax return, your income bracket and your profession, not when you file, are the most significant factors that increase your chances of being audited. The higher your income, the more attractive your return becomes to the IRS. And if you're self-employed and/or work in a profession that generates mostly cash income, you are also more likely to draw IRS attention.

You may also peak the interest of the IRS and trigger an audit if:

- You claim a large amount of itemized deductions;
- You claim an unusually large amount of deductions or losses in relation to your income;
- You have questionable business deductions;
- You are a higher income taxpayer;
- You claim tax shelter investment losses;
- Information on your return doesn't match up with information on your 1099 or W-2;
- You have a history of being audited;
- You are a partner or shareholder of a corporation that is being audited;
- You are a self-employed (Schedule C) filer;
- You claim the earned income tax credit;
- You report rental property losses; or
- An informant has contacted the IRS asserting you haven't complied with the tax laws.

If you have been notified of an audit, please contact our office.

## Payroll Tax Cut Extended Two Months

As 2012 gets underway, Congress has extended the employee-side of the payroll tax cut, but a laundry list of other tax incentives have expired and their renewal is in doubt. The fate of these incentives, along with the Bush-era tax cuts, will dominate debate in Washington D.C. in 2012.

### Payroll tax cut

The Temporary Payroll Tax Cut Continuation Act of 2011, approved by Congress on December 23 and signed by President Obama the same day, extends the 2011 payroll tax holiday through the end of February 2012. The employee-share of OASDI taxes is 4.2 percent for the period January 1, 2012 through February 29, 2012 (10.4 percent for self-employment income). Lawmakers are expected to extend the employee-side payroll tax cut through the end of 2012, although not before difficult negotiations.

### Other extenders expire

After December 31, 2011,

many popular, but temporary tax breaks expired. The incentives, which are known as "extenders," impact individuals and small businesses. Some of the more popular individual extenders are the state and local sales tax deduction, the higher education tuition deduction, and the teachers' classroom expense deduction. For small businesses, the research tax credit is one of the most important extenders.

Several bills have been introduced in Congress to extend the expiring incentives. However, the bills have languished in committee. One reason for the lack of movement is that Congress can extend the incentives in 2012 and make them retroactive to January 1, 2012. The extenders are also separate from the temporary Bush-era tax cuts, which are scheduled to expire after December 31, 2012. Many lawmakers do not want to link the extenders to the more-controversial Bush-era tax cuts.

*"The 2011 payroll tax holiday is extended through the end of February 2012."*

### Just for Fun...

How much do you think the tax on a gold watch was during the Civil War?

What was the average annual income in 1913?

[Click Here to test your knowledge with these and other interesting questions on the IRS Tax Quiz.](#)

*"After December 31, 2011, many popular, but temporary tax breaks expire."*

## How Often Do You Back-Up Your QuickBooks File?

You should save backup copies of your QuickBooks files to protect them against accidental data loss. Backup copies are an important insurance. If you lose data for any reason, you can restore the data from your backup copy. We recommend that you back up your company file at the end of each session or each day to a network drive; external hard drive; removable storage device such as a CD, USB flash drive, or Zip disk; or to a re-

mote site over the Internet using Intuit Data Protect.

To create a backup or automatic back-up schedule, in QuickBooks, go to:

- "File" menu and choose "Create backup."

By choosing a "local backup," you can choose which external drive you would like to save the backup to. You can also choose how often to be

reminded to backup your file upon closing. By choosing "online backup," QuickBooks 2011 or 2012 users can automatically backup their company file to a secure site on a chosen schedule through the Intuit Data Protect program.

If you have any questions or need additional assistance, please contact our offices where we have several QuickBooks Pro Advisors on staff to assist you.

## How to Pay Off Your Tax Debt

Often times, individuals end up with an unexpected tax liability come April 15th. There are several options available to pay off your tax debt, stop accruing penalties and interest and secure peace of mind. Each payment method has its advantages and disadvantages depending on your circumstances.

### Pay Uncle Sam as much as you can

First and foremost, if you cannot pay the full amount of taxes due, you should nevertheless file your tax return by the April 15th deadline. Moreover, you should send in as much money as you can with your tax return. The IRS assesses "failure-to-file" penalties, so you should file your return despite being unable to pay the full amount with the tax return.

### Interest and penalties

If you are unable to pay the entire amount, or any amount, you will incur interest and a "failure to pay" penalty imposed by the IRS. The failure to pay penalty is one-half of one percent (0.5%) owed for each month, or part of a month, that your tax remains unpaid after the due date. The late payment penalty can climb to a maximum of 25 percent on the amount actually shown as due on the return.

### Extension of time to file

If you are unable to pay the full amount of tax that you owe, you can obtain an automatic six-month extension of time to file. You must file Form 4868, Application for Automatic Extension of Time to File, by the due date of the return, which is April 15th. However, an extension of time to file is not an extension of time to pay your tax liability. Penalties and interest continue to accrue during the extension period.

### Payment options

Here are some of the most common payment options available to taxpayers:

**Pay by credit card.** Depending on your situation, paying the balance of your tax liability with a credit card (or by another form of personal loan) may be the best option in order to stop accruing interest and penalties for failing to pay the entire amount due. If this is an option, make sure you use a card with the lowest interest rate and the lowest account balance. The IRS accepts most major credit cards, such as American Express, Visa, and MasterCard. Additionally, you can use a credit card regardless of whether you file your return electronically or by mail. Be mindful that interest on a

credit card or other personal loan to pay off your taxes is non-deductible. Many credit card companies consider tax payments to be cash advances. Please check with your credit card company to determine if cash advance fees will apply.

### **Apply for an installment plan.**

The IRS offers taxpayers the ability to apply for an installment agreement plan. This option allows eligible taxpayers to pay off their tax bill over a period of time, in monthly installments. A request for an installment plan is made by filing Form 9465 with the IRS. Although there is a fee for applying for the agreement, the amount is deducted from your first payment upon approval of your request. However, even if your request is granted, you will continue to be charged interest on any tax not paid by the due date. But, the late payment penalty will generally be half the usual rate.

**Offer in compromise.** In some situations, the IRS may allow you to strike a deal by accepting an offer-in-compromise (OIC). In general, an OIC allows you to make a one-time lump sum payment to the IRS that is less than the total amount of the taxes you owe. However, if your tax debt can

be fully paid through an installment agreement or by other means, in most cases you may not be eligible for an offer. Additionally, the amount of tax you propose to pay must reasonably reflect the liability you actually owe to have any success of being accepted by the IRS.

### Conclusion

If you would like more information on payment methods, please contact our office.

### More Tools, Tips and Tidbits

The following is a sampling of quick links to tools and articles that you can find on our web site –

[www.tsacpa.com](http://www.tsacpa.com)

[Roth vs. Traditional IRA Financial Calculator](#)

From the landing page, click on Retirement; then Roth vs. Traditional 401(k)

[2011 Client Tax Organizer](#)

[IRS Mileage Rates Schedule](#)

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