

# Taxing Times

Tax information for clients and friends of Stambaugh Ness



January 20, 2010

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## IN THIS ISSUE:

### KEEPING TAX RECORDS

#### FOR INDIVIDUALS

- Mileage Logs
- Estimated Payments
- W-4 Withholding
- Marriage Status
- Homebuyer Credit

#### FOR BUSINESSES

- Payroll Calculations
- Underpaid Taxes
- Depreciation Software
- Mileage Logs
- E-Z Pass Travel Logs

**PLUS -**  
**What's on Your Mind ... "Taxing" Questions: Charitable Contributions**

### Take Care with Donations to Haitian Relief

Many of you are seeing requests for donations to organizations that are helping Haiti in that country's time of great need.

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*Happy New Year! Every year, individuals make resolutions which they hope to maintain throughout the year. This edition of the Taxing Times will focus on New Year's Resolutions for tax purposes. Now is the time to start thinking about how to keep your records in order for this upcoming year.*

## INDIVIDUAL TAXES

### MILEAGE LOGS

Some professions require you to keep track of your mileage for business purposes. It is important to keep track of all the miles you accumulate on your personal vehicle for business purposes. You may be able to take a deduction on your tax return if you are not reimbursed for the mileage by your employer.



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Eligible taxpayers may also claim a deduction for mileage relating to volunteer activities. Therefore, it is important to keep track of the miles you put on your personal vehicle which relate to volunteer activities.

Eligible taxpayers should also keep track of their mileage for medical purposes. This mileage includes any mileage driving back and forth to the hospital and/or doctor's office for medical treatments. If the medical treatments are not for yourself, but for a spouse or other family member whom you are driving to these treatments, then you may still be eligible for the deduction of this mileage.

These contributions may be tax deductible on your 2010 income tax return. Please remember to get a receipt for any contribution you make.

Also, some organizations are allowing you to send a text message to a designated number which will then put the charge on your cell phone bill. Ensure that the charge on your phone bill indicates it was a contribution and lists the organization as well. If these items are not listed on your phone bill, you may not be able to take that contribution as a deduction on your income tax return.

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Consider keeping a small travel log inside your vehicle. Each time you enter your car for work or volunteer purposes, write down your start and end mileage for that trip or set the trip meter. Be sure to write your total mileage for that trip in your log each time so you will have an accurate count by the end of the year.

#### **ESTIMATED PAYMENTS**

Mark your calendars now! Your federal estimated payments due dates for your 2010 taxes are the following:

- April 15th, 2010
- June 15th, 2010
- September 15th, 2010
- January 17th, 2011

Pennsylvania estimated payment due dates for your 2010 taxes are the following:

- April 15th, 2010
- June 15th, 2010
- September 15th, 2010
- January 17th, 2011

#### **W-4 WITHHOLDING**

Now is the time to review your total withholdings from your paycheck. You should take the time to determine whether you may be having too much tax or not enough tax withheld from your paycheck. If you consistently receive a large refund with your income tax returns, but would rather receive more money with each check, consider raising your withholdings. If you consistently owe taxes with your income tax return filing and don't mind having a little less cash in your paycheck, consider lowering your withholdings.

#### **MARRIAGE STATUS**

Have you recently gotten married or filed for divorce? If you plan on changing your name, don't forget to change it with the Social Security Administration. In order to put your "new" name on your tax return, it must first be changed with the SSA. The IRS will match your name on your tax return per social security number to the SSA's records. If they do not match, you may receive a notice from the IRS and your return will be rejected for e-filing purposes.

## HOMEBUYER CREDIT

An eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010, and close on the home by June 30, 2010. For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return. The maximum credit amount remains at \$8,000 for a first-time homebuyer. The new law also provides a "long-time resident" credit of up to \$6,500 to others who do not qualify as "first-time homebuyers". In order to qualify as a long-time resident, a buyer must have owned and used the same home as a principal or primary residence for at least five consecutive years of the eight-year period ending on the date of purchase of a new home as a primary residence.

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**What's on  
Your Mind ..  
"TAXING"  
QUESTIONS**

Dear Colette and  
Melissa,

I did some early  
spring cleaning of my

## CORPORATE TAXES

### PAYROLL CALCULATIONS

Businesses may need to take a second look at their payroll calculations for overtime of hourly employees. When calculating overtime, you may need to include additional incentives the employee received into the calculation. For example, the following incentives need to be included in the calculation:



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- Shift Differentials
- Nondiscretionary bonuses
- Payments in a form other than cash
- Retro-active pay
- On-call pay
- Supplemental disability payments
- Sick leave buyback payments

A nondiscretionary bonus is any contractual or agreed-upon bonus that may relate to production, efficiency, attendance, or some other measure or performance.

house and am getting ready to take my unwanted clothing to the Salvation Army.

What documentation should I keep in my records to substantiate my charitable contribution?

*Thanks,  
Taylor  
Abbottstown, PA*

Dear Taylor,

You will need to have a receipt from the Salvation Army indicating you gave the charitable contribution of non-cash items.

Generally, the Salvation Army will give you a blank receipt and you need to write in the total fair market value of the clothing donated, which will then be your total charitable contribution. The reverse side of the donation receipt should have guidance for determining the fair market value of the clothing donated.

Alternatively, you can find guidance from the Salvation Army.

The IRS is enforcing stricter rules regarding non-cash charitable

For example, if you give your employees a bonus if they work for six weeks without having an accident in the workplace, that is a discretionary bonus which must then be included in the employees' overtime calculation. Therefore, you must review the employee's work history for the past six weeks to determine if they worked any overtime. If they did, you must recalculate what their overtime rate should have been with the nondiscretionary bonus added into the calculation.

### **UNDERPAID TAXES**

Does your business have any known underpaid taxes? These taxes could include income, franchise, sales and use tax, etc. Start the year off on the right foot and file with the applicable states!

Most states offer either an amnesty or voluntary disclosure program in which your company can come forward and pay your back underpaid taxes. Amnesty and voluntary disclosure programs limit the look-back period for paying the taxes as well as extra incentives like abating penalties and possibly lowering the amount of interest due. Your company can also register with the states under these programs and this gives you a clean slate with the state.

### **DEPRECIATION SOFTWARE**

If you are keeping track of your own depreciation for your fixed assets, you should be updating your software now. On December 31, 2009, Bonus Depreciation expired for fixed assets. Therefore, you need to ensure your depreciation software is not taking any bonus on fixed assets placed in service in 2010.

For eligible Section 179 property, the maximum limitation for 2010 is \$134,000 and the maximum investment limitation is \$530,000. In 2009, the maximum limitation was \$250,000 and the maximum investment limitation was \$800,000, so you will need to ensure your software is updated for this new limitation amount.

contributions, so it is a good idea to keep receipts for all donations regardless of the dollar amount.

*Until next month,  
Colette and Melissa*

*If you have a general tax question you would like to have answered in a future edition, please email [mmyers@stambaughness.com](mailto:mmyers@stambaughness.com).*

## CONTACT US

For more information about any of these tax topics or other tax-related concerns, please contact our SNPC tax professionals, Colette or Melissa, at 717-757-6999/800-745-8233.

You may also visit [our website](#) or reply to this email. Links to [past issues of "Taxing Times"](#) can also be found on our website.

## MILEAGE LOGS

If your company provides vehicles for employees to use for both business and personal purposes, you need to provide them with mileage logs. The employees should be keeping track of the personal mileage of the company car in order to calculate the auto allowance for their income purposes, if applicable.

Consider providing your employees with small books to keep inside the vehicles. Each time they enter their car for personal purposes, instruct them to write down their start and end mileage for that trip or set the trip meter. Be sure they write their total mileage for each trip in their log each time so you will have an accurate count by the end of the year!

## E-Z PASS TRAVEL LOGS

If you ship goods via company-owned vehicles into other states, start checking your E-Z Pass logs. Are you registered in all of the states you have an E-Z Pass for?

New Jersey is now looking at the E-Z Pass travel logs to determine if companies are passing through their states that aren't registered. They are then targeting these companies with audits, which could lead to large tax liabilities, interest, and penalties due to the State. Some states may follow New Jersey's example and start reviewing these logs for potential audits.

If you determine the need to register in a state, you may be able to file under an amnesty or voluntary disclosure program.



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