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Tax Breaks for the Self-Employed and Small Business Owners

The following is a compilation of a number of tax breaks available to self-employed individuals and/or small business owners. Some can be implemented before year's end, providing benefits for your 2011 return, while others will provide planning opportunities for 2012.

- **Little or No Profit This Year** — The farm and nonfarm optional methods for computing net earnings from self-employment are modified so that electing taxpayers may pay more in optional self-employment taxes and thus become eligible for Social Security benefits.
- **The Work Opportunity Tax Credit** — The work opportunity tax credit allows employers tax credits (as much as \$4,800) for hiring individuals from targeted groups (such as recipients of public assistance and qualified veterans).
- **Elect to Deduct Start-Up Costs** — Taxpayers can elect to deduct up to \$5,000 of start-up and \$5,000 of organizational expenses in the first year of a business. Each of the \$5,000 amounts is reduced by the amount by which the total start-up expense or organizational expense exceeds \$50,000. Expenses not deductible in the first year of the business must be amortized over 15 years.
- **Deduct a Home Office** — If you work from an office in your home, perform management or administrative tasks from a home office, or store product samples or inventory at home, you may be entitled to deduct an allocable portion of certain costs of maintaining your home. This would include allocated maintenance, utilities, etc.
- **Business Travel Break** — If you maintain your office in your home and it is your principal place of business, you may be entitled to a special tax break on your commuting costs.
- **Establish an Employee Pension Plan** — Establishing a pension plan for your employees can help you retain better employees. If you start a pension plan, you can take a credit of up to \$500 a year for each of the first three years of the plan. The credit is for 50% of certain start-up costs incurred in each of those years.
- **Deduct Vehicle Interest, Tax and License** — Normally if you purchase a vehicle, the interest on the loan is treated as nondeductible consumer interest. However, if the vehicle is used partially for business (other than as an employee), then the business portion of the interest can be deducted on your business schedule. The business portions of the personal property tax and license fee can also be deducted on your business schedule. The business portion of the sales tax is added to your vehicle's basis and depreciated if the actual expense method is used.

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- **Deduct Health Insurance Off-the-Top** — A self-employed individual may deduct the amount paid during the tax year for medical insurance for himself, his spouse, his dependents, and even his children who are under age of 27 even if they are not dependents. There is no limit on the amount that may be deducted, except that the deduction cannot exceed net self-employment income. For this deduction, health insurance includes medical, dental, vision, and long-term care premiums. The medical care insurance isn't limited by the normal 7.5%-of-AGI floor on itemized medical expenses, and it isn't a business schedule deduction. Instead, it's an above-the-line deduction on page 1 of Form 1040.
- **Business Education Expense Options** — Self-employed taxpayers can treat business education expenses for themselves either as a deduction on the business schedule or as an education tax credit. If the deduction option is chosen, it reduces both self-employment tax liability and income tax liability. How much is saved depends upon your tax bracket.
- **Employ Your Child** — You can turn some of your high-taxed income into tax-free or low-taxed income by shifting some of your business earnings to a child as wages for services performed by him or her. For your business to deduct the wages as a business expense, the work done by the child must be legitimate and the child's salary must be reasonable.
- **Trade-in versus Sale** — If you are purchasing a new vehicle or other equipment, you should carefully consider whether to trade in the old asset or sell it in an unrelated transaction. The reason? If the disposition of the old vehicle or equipment would result in a tax loss, you might want to sell it separately. However, if the disposition would result in a tax gain, you would want to trade it in to avoid the gain and instead have it reduce the basis of the replacement asset.
- **Avoid Underpayment Penalties** — Taxpayers are expected to pay their taxes during the year through the payment of estimated taxes and/or withholding. If you have not paid enough and do not meet one of the exceptions, you could be subject to an underpayment penalty along with an unpleasant tax bill when the tax return is filed. Year-end increased estimates and withholding can mitigate those penalties.
- **Borrow to Pay Deductible Expenses before Year's End** — If 2011 was a better than normal year for income, you might consider using a credit card to pay expenses that can generate deductions for this year.
- **Contribute to Your Retirement Plan** — A variety of retirement plans are available to the small business owner or self-employed taxpayer. Some plans must be set up before year's end.

Please give this office a call if you have additional questions about any of the tax breaks mentioned above. Most of these benefits require action before 2012 to gain any tax advantage for 2011. However, that does not preclude you from planning in advance for 2012.

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Tax Benefits for Disabled Taxpayers

Taxpayers with disabilities and parents of children with disabilities may qualify for a number of IRS tax credits and benefits. Listed below are several benefits which are available if you or someone else listed on your federal tax return is disabled.

Child or Dependent Care Credit – Taxpayers who pay someone to care for their disabled dependent or spouse, regardless of the spouse's or dependent's age, can claim the child or dependent care credit. The credit is based upon the lower-earning spouse's income. So when a disabled spouse does not work, the disabled spouse is treated as having a monthly income of \$250 (\$500 if more than one qualifying person was cared for during the year). The expenses used to compute the credit are limited to \$3,000 where there is one qualifying person and \$6,000 where there are two or more. The credit ranges from 20 to 35% of the expenses based on the taxpayers' income. The higher the income, the smaller the percentage!

Medical Deductions – In addition to the normal medical expense deductions, a taxpayer may also be able to deduct:

- **Nursing Homes** – The entire cost of nursing homes and assisted living facilities is deductible as a medical expense, if the primary reason for the individual being there is for medical care or the individual is incapable of self-care. This would include the entire cost of meals and lodging at the facility.
- **In-Home Care** – As an alternative to nursing homes, many care providers are hiring day help or live-in employees to provide the needed care at home. When this is the case, the services provided by the employees must be allocated between household chores and deductible nursing services. To be deductible, the nursing services need not be provided by a nurse as long as the services are the same services that would normally be provided by a nurse, such as administering medication, bathing, feeding, dressing, etc. If the employee also provides general housekeeping services, then the portion of the employee's pay attributable to household chores would not be a deductible medical expense. Caution: household employees are subject to certain federal and state payroll taxes.
- **Impairment-related Expenses** – Amounts paid for special equipment installed in the home or for modifications needed to accommodate a taxpayer's disabled condition, or that of the spouse or dependents who live with the taxpayer, are generally treated as deductible medical expenses. Any portion of an expense that increases the value of the home would not be deductible. The following are examples of deductible improvements:
 - Constructing entrance or exit ramps for the home,
 - Widening doorways at entrances or exits to the home,
 - Widening or otherwise modifying hallways and interior doorways,
 - Installing railings, support bars, or other modifications,
 - Lowering or modifying kitchen cabinets and equipment,
 - Moving or modifying electrical outlets and fixtures,
 - Installing porch lifts and other forms of lifts but generally not elevators,

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- Modifying fire alarms, smoke detectors, and other warning systems,
 - Modifying stairways,
 - Adding handrails or grab bars anywhere (whether or not in bathrooms).
- **Education** – Expenses that you incur in order to enable your child to compensate for or overcome disabilities or to prepare your child for future normal education or normal living are deductible medical expenses. Thus, any expenses for therapy that helps your child's adaptation are deductible medical expenses. In addition, the expenses of your child's schooling at a "special school" for mentally or physically disabled individuals are deductible (including the cost of an ordinary education) if the resources of the school are the reason for your child's presence and the educational services provided are rendered only as an incident to the medical care provided.

Earned Income Tax Credit – EITC is available to disabled taxpayers as well as to the parents of a child with a disability. If you retired on disability, the taxable benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. The EITC is a tax credit that not only reduces a taxpayer's tax liability but may also result in a refund. Many working individuals with a disability who have no qualifying children, but are older than 25 and younger than 65, qualify for EITC! Additionally, if the taxpayer's child is disabled, the age limitation for the EITC is waived. The EITC has no effect on certain public benefits. Any refund you receive because of the EITC will not be considered income when determining whether you are eligible for benefit programs such as Supplemental Security Income and Medicaid.

Impairment-related Work Expenses – Employees who have a physical or mental disability limiting their employment may be able to claim business expenses in connection with their workplace. They are ordinary and necessary expenses, including attendant care services (e.g., a blind taxpayer's use of a reader) at the place of employment, to enable an individual who has a handicap to work. Impairment-related work expenses are itemized deductions but aren't subject to the 2%-of-AGI floor.

Standard Deduction – Taxpayers who are legally blind are entitled to an extra amount of standard deduction. For 2011, the additional amount is \$1,150 for a married individual and \$1,450 for others.

Gross Income – Certain disability-related payments, Dept. of Veterans Affairs disability benefits, and Supplemental Security Income are excluded from gross income.

Waiver of Early Pension Plan Withdrawals – Generally, if a taxpayer is under age 59-1/2 and withdraws assets (money or other property) from a qualified plan including traditional IRAs, the taxpayer must pay a 10% additional tax, commonly referred to as the early withdrawal penalty. This tax is 10% of the part of the distribution that the taxpayer was required to include in gross income. If a taxpayer becomes disabled before reaching age 59-1/2, any amounts withdrawn because of the disability are not subject to the 10% additional tax. A taxpayer is considered disabled if the taxpayer can furnish proof that he/she cannot perform any substantial gainful activity because of the physical or mental condition. A physician must determine that the taxpayer's condition can be expected to result in death, or is expected to be of a long, continued and indefinite duration.

Moving Deduction Qualification Period Waived – One of the qualifications for the job-related moving deduction is that an individual must work in the general area of the new workplace full-time for 39 weeks during the 12-month period right after the move (78 weeks out of a 24-month period for a self-employed individual). These time periods are waived in the case of death or disability.

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Credit for the Elderly or Disabled – This credit is generally available to certain taxpayers who are 65 and older as well as to certain disabled taxpayers who are younger than 65 and are retired on permanent and total disability. However, due to limitations of the credit, only very low-income taxpayers generally qualify for it.

If you have any questions related to these tax benefits, please give this office a call.

Medical Checklist

After 2012, the limitation on [deductible medical expenses](#) increases for most taxpayers from the current 7.5% of AGI to 10% (it remains at 7.5% for taxpayers age 65 and over through 2016). So if you need some dental work, laser eye surgery, or other elective but deductible medical procedures, you might consider doing so sooner than later to take advantage of the current lower AGI limit. (But forget that face lift or other nip and tuck procedure you've been thinking about—cosmetic surgery costs aren't deductible unless related to a physical injury or disfiguring disease.) Also, if you are paying for a procedure over time, it might be appropriate to pay it all at once to increase your currently deductible medical expenses.

Determining whether the tax benefits after the AGI limit is applied warrant the current expenditure can be complicated, and you may wish to call this office for assistance.

The following is a checklist of deductible medical expenses. The list is by no means all-inclusive, and some of the deductions listed may have additional restrictions not included here.

- Ambulance
- Artificial Limb
- Artificial Teeth
- Birth Control Pills
- Braille Books and Magazines
- Abortion, Legal
- Acupuncture
- Alcoholism Treatment
- Chiropractor
- Christian Science Practitioner
- Contact Lenses
- Crutches
- Dental Treatment
- Drug Addiction Treatment
- Drugs (Prescription)
- Eyeglasses
- Fertility Enhancement
- Guide Dog
- Hearing Aids
- Hospital Services
- Medical Services
- Medicines, Prescribed
- Mentally Retarded, Special Home for
- Nursing Home
- Nursing Services
- Operations
- Optometrist
- Organ Donors
- Osteopath
- Oxygen
- Prosthesis
- Psychiatric Care
- Psychoanalysis
- Psychologist
- Special Schools and Education
- Sterilization
- Stop Smoking Programs
- Surgery
- Therapy

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- Impairment-Related Expenses
- Insurance Premiums
- Laboratory Fees
- Laser Eye Surgery
- Lead-Based Paint Removal
- Learning Disability
- Vasectomy
- Weight-Loss Program
- Wig (Cancer Patient)

Please call this office with questions regarding these or other potential medical deductions.

Maximize Your Charitable Deductions

As the end of the year approaches, there are still things you can do to increase and properly document your [charitable contributions](#) for 2011. Here is a brief rundown:

Non-cash contributions – If you have used clothing or household goods that are in good or better condition that you don't use any longer, contribute them to a charity thrift shop before the end of the year. Don't forget: a receipt from the charity is required to document the gift. If the gift's fair market value (FMV) is more than \$500, you will also need an itemized list of the items contributed, how and when each was acquired, and the cost. If the FMV of what you've donated is greater than \$5,000, or you contributed a vehicle, call this office for additional documentation requirements. A receipt from the charity is not required if the gift's value is less than \$250 and the donation was made at an unattended drop site. However, you will need to document the donation yourself.

Cash Donations – All cash donations must be documented either by a receipt from the charity or by a bank record such as a check, bank statement, or credit card payment. You can no longer claim contributions of cash dropped into the offering plate or Christmas kettle. So, be wise and drop a check instead. If you regularly tithe at a house of worship, you might consider pre-paying your 2012 tithing and moving the deduction into 2011. In doing so, some taxpayers that marginally itemize may be able to itemize every other year and take the standard deduction in alternate years.

Charity Volunteer Expenses – If you volunteer your time for a charity, you may qualify for some tax breaks. Although no tax deduction is allowed for the value of services performed for a charity, there are deductions permitted for out-of-pocket costs incurred while performing the services. Possible expenses might include:

- Away-from-home travel expenses while performing services for a charity, plus lodging and meals at 100 percent, provided there is no significant element of personal pleasure associated with the trip.
- Use of your personal vehicle while performing services for the charity, generally at 14 cents per mile. Be sure to keep a written record of the name of the charity, the date the vehicle was used for charitable purposes, and the number of miles driven.
- Upkeep and cost of uniforms that aren't suitable for everyday use and if worn while performing the charitable service.

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No charitable deduction is allowed unless the contribution is substantiated with a written acknowledgment from the charitable organization. The documentation must specify the need for your services and include an acknowledgement by the charity that the expenses claimed were required; be sure to maintain the receipts for the expenses.

Vehicle Donations - Generally, the deduction for used cars, boats, planes, etc. is limited to \$500. More than \$500 can be claimed based upon the charity's use of the vehicle or the actual amount the charity received from the sale of the vehicle. You will need Form 1098-C from the organization to claim the deduction and attach it to your return. Call for further details related to claiming more than \$500.

Timing of Acknowledgments – Whenever you are required to have an acknowledgment from a charity for donations you've made, you must have that letter or statement in your hands by the earlier of the date you file the return for the year of the donation or the extended due date of that return.

If you have additional questions or would like to determine how a specific donation will impact your tax return, please give this office a call.

Game Show Winners and Taxes

If you like to watch game shows and enjoy all the excitement that goes with watching contestants win prizes, then you can add another element to your viewing pleasure by considering how the contestants will handle the IRS Form 1099 they receive for the value of the items they won. You may not have thought much about it, but the contestants must pay federal and applicable state income tax on the cash and the value of the goods they win on game shows.

The lucky ones are those who simply win cash. They will have money to pay the taxes— unless, of course, they overlook the tax issue and spend all the winnings and end up with a tax liability they cannot pay. All that winning excitement turns into a stressful financial problem, and they probably end up wishing they hadn't won.

The winners of non-cash prizes have more complex issues. They are required to pay taxes on the fair market value of the prize. The problem here is that game shows generally report prizes at full retail value and not the price the items would fetch on the open market. Take for example a contestant who wins a trip. Typically, hotel packages are valued by the game shows at their top retail value, not the discounted rates that can be obtained online or through a travel agent. Thus, those who accept the trip may not be able to afford the taxes on the trip, and after a week in paradise, they find themselves in tax purgatory.

The issue becomes a real financial drag for the taxpayer who is unable to pay the tax liability because they end up with failure-to-pay (and perhaps underpayment of estimated tax) penalties and interest that the IRS keeps tacking on until the liability is finally paid in full.

The tax issues can be avoided by refusing the non-cash prize, especially if the prize is something of no use to the winner. Another option for easy-to-sell items is to accept the prize and then sell it (not to a relative or friend). The gap between retail and real value can be especially harmful for winners who accept a prize with the intent to resell it: They're paying taxes on a value they have no hope of recouping, which eats into the profits.

Remember back in 2004 when Oprah Winfrey gave away to everyone in the audience a Pontiac? The sticker price of those cars was \$28,500, and that amount had to be claimed as income by the audience

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members. If the person who received a car was in the 25% tax bracket, they were looking at a tax bill of \$7,125. So the free car wasn't free and could have ended up as a tax headache for some. One famous contestant on "Survivor" did not report his \$1 million winnings, claiming that CBS had told him the network was responsible for the taxes. It turns out that the contract he signed with CBS specifically stated that he was responsible for the taxes, and as a result, Richard Hatch ended up in federal court, where he was convicted of tax evasion and sentenced to a 51-month prison term. When watching "Extreme Makeover: Home Edition," you probably never thought about the tax implications to the beneficiaries of the home makeover. The makeover is classified as winnings and subject to income tax, as is the trip the homeowners took while the makeover was in progress. Then there is the real property tax issue; in most jurisdictions, the property taxes are based on the value of the home. Once the improvements are made, the homeowner's property taxes will substantially increase.

As you can see, there is a down side to being a game show winner! If you have more questions related to prize winnings, please give this office a call.

Independent Contractor versus Employee Status – A New Focus of the IRS

If you are a small business owner, whether you hire people as independent contractors or as employees will impact the amount of taxes you withhold from their paychecks, as well as how much and what types of taxes you pay. Furthermore, it will affect how much additional cost your business must bear, what documents and information must be provided to you, and what tax documents must be given to the individuals you are hiring.

The obvious advantage to treating an individual as an independent contractor is avoiding the added expense of payroll taxes and employee benefits. Unfortunately, the decision is not optional, and employers must be careful when making the decision, lest they set themselves up for a payroll audit and back taxes, penalties, and interest.

Independent contractors are becoming a new focus of the IRS, and audits in this area are expected to rise sharply in the next few months. The IRS and the Department of Labor have agreed to share information and collaborate on the issue of employees who have been misclassified as independent contractors. An IRS study on the subject found that 15% of employers misclassified 3.4 million workers as independent contractors, causing an estimated total tax loss of \$2.7 billion in inflation-adjusted 2006 dollars. The IRS already has in place a nationwide questionable employment tax practices (QETP) program. One of its goals is to increase voluntary compliance with employment tax rules and regulations.

The Internal Revenue Service has launched a new program that will enable many employers to resolve past worker classification issues and to achieve certainty under the tax law at a low cost by voluntarily reclassifying their workers. This new program will allow employers the opportunity to get into compliance by making a minimal payment covering past payroll tax obligations rather than waiting for an IRS audit.

To be eligible, an applicant must:

- Consistently have treated the workers in the past as nonemployees,
- Have filed all required Forms 1099 for the workers for the previous three years, and
- Not currently be under audit by the IRS, the Department of Labor, or a state agency concerning the classification of these workers.

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Interested employers can apply for the Voluntary Classification Settlement Program at least 60 days before they want to begin treating the workers as employees. Employers accepted into the program will pay an amount effectively equaling just over 1% of the wages paid to the reclassified workers for the past year. No interest or penalties will be due, and the employers will not be audited on payroll taxes related to these workers for prior years. Participating employers will, for the first three years under the program, be subject to a special six-year statute of limitations rather than the usual three years that generally applies to payroll taxes. If your firm would like to apply for this program, please give this office a call.

Here are some things every business owner should know about hiring people as independent contractors versus hiring them as employees.

1. Three characteristics are used by the IRS to determine the relationship between businesses and workers: Behavioral control, financial control, and type of relationship.
2. Behavioral control covers facts that show whether the business has a right to direct or control how the work is done through instructions, training, or other means.
3. Financial control covers facts that show whether the business has a right to direct or control the financial and business aspects of the worker's job.
4. The type of relationship factor relates to how the workers and the business owner perceive their relationship.
5. If you have the right to control or direct not only what is to be done, but also how it is to be done, then your workers are most likely employees.
6. If you can direct or control only the result of the work done, and not the means and methods of accomplishing the result, then your workers are probably independent contractors.
7. Employers who misclassify workers as independent contractors can end up with substantial tax bills. Additionally, they can face penalties for failing to pay employment taxes and not filing required tax forms.
8. Workers can avoid higher tax bills and lost benefits if they know their proper status.
9. Employers can ask the IRS to make a determination on whether a specific individual is an independent contractor or an employee by filing a Form SS-8 (Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding) with the IRS. A worker may also file Form SS-8 requesting an IRS determination. IRS does not issue determinations for proposed or hypothetical situations.

If you need more information about the critical determination of a worker's status as an independent contractor or employee, please call this office.

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Customer Refunds: Are You Doing Them Right?

Refunds. You probably wince at the word. Some – like customer refunds for returns – are fairly uncomplicated, thanks to QuickBooks' tools. Others, not so much. You may find yourself unable to balance your accounts receivable.

There are numerous scenarios that necessitate the use of credit memos, including overpayment, order cancellations and bad debt write-off. It's critical that these are entered correctly. If they aren't, you may lose a lot of the time that QuickBooks helped you save as you try to chase down a few dollars.

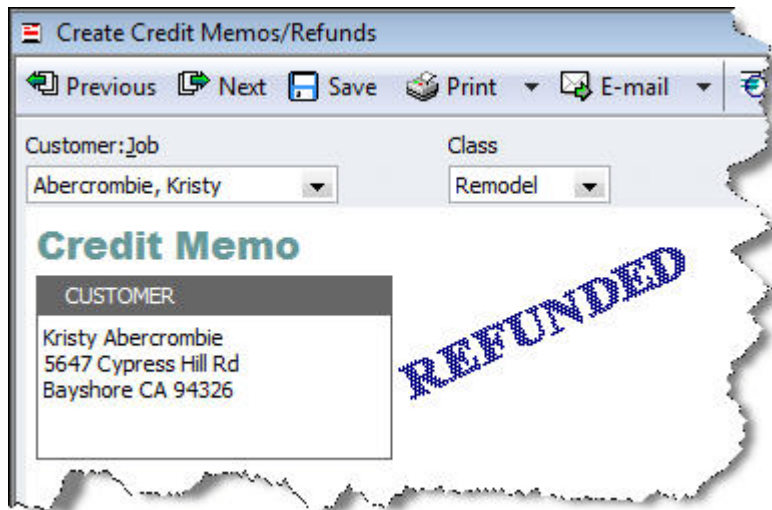


Figure 1: QuickBooks helps you identify refunds quickly.

Sending money back

Let's say a customer pays for an order but cancels before it ships. You could:

- Apply the balance to an existing invoice
- Keep it as an available credit
- Issue a refund

Click **Customers** | **Create Credit Memos/Refunds**. Select the correct customer and job (and A/R account, if you have more than one). Enter the items just as they appear on the invoice. When you're finished, click **Save & New**. The *Available Credit* window opens, displaying your options:

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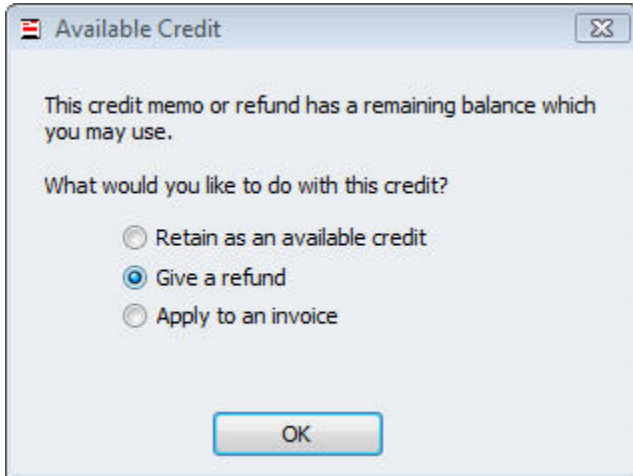


Figure 2: The Available Credit window displays your credit balance options.

You would select **Give a refund** and click **OK**. The *Issue a Refund* window opens and should already be filled in. If everything is correct, click **OK**. The refund check has now been entered in the checking register, ready to be processed.

WARNING: If the invoice was paid with a credit card, it gets complicated. Your instructions will depend on whether you are using Intuit Merchant Service for QuickBooks or another merchant account service. You'll also have to deal with transaction fees. We can help you deal with this.

Other refund options

If the customer has open invoices, you may want to choose *Apply to an invoice* in the *Available Credit* window. A list opens; just select the correct invoice. Or if you want to have those extra funds available for other invoices but don't want to apply them immediately, click *Retain as an available credit*. When you want to use them, click the **Apply Credits** button in the lower right corner of the invoice.



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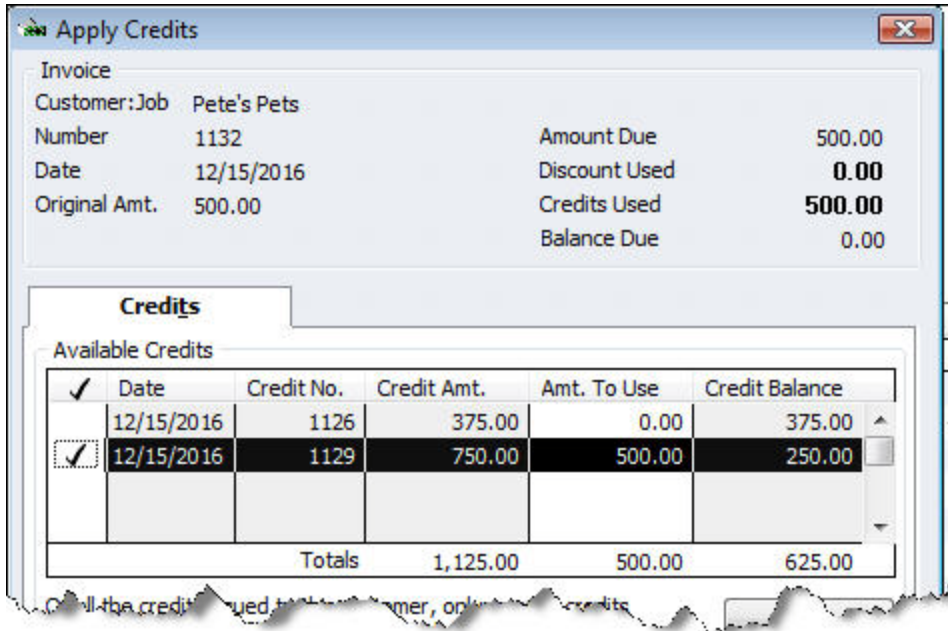


Figure 3: When issuing a refund, QuickBooks can hold those funds to be applied to invoices later.

Sometimes, customers overpay an invoice or statement charge, or make a down payment for which there is no invoice. This is easy to fix. Open the **Customer Payment** screen (**Customer Center | Transactions | Received Payments**) and double-click the related payment. In the screen's lower left corner, you'll see this:

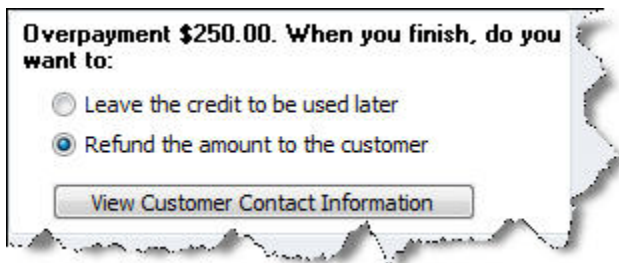


Figure 4: Click the correct option here.

Click the correct button, then **Save & Close**. The *Issue a Refund* window opens; you'd treat it the same way you did when you dispatched a return refund.

Another use

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You can also use credit memos to write off bad debt if you are using the accrual method of accounting.

If you don't already have a Bad Debt item in your item list, set up a new item as an Other Charge. Name it "Bad Debt" and match it to the correct account.

Open the **Credit Memo** window and select the customer, then select **Bad Debt** as the item. You'll get a message saying that the item is associated with an expense account; click **OK**. Enter the write-off amount minus sales tax if taxable (be sure the Tax column is correct) and click **Save & Close**.

WARNING: Enter two lines on the credit memo if it combines both taxable and non-taxable items (both charged to the *Bad Debt* account), one for each type. Be sure that the Tax Columns are correct.

The *Available Credit* window opens. Select **Apply to an invoice**. Put a check mark next to the correct one and click **Done**.

Make refunds make sense

It seemed easier in the days when you just wrote a check for a refund or made an entry in a paper ledger, didn't it? Using QuickBooks credit memos, though, helps you maintain records that follow standard accounting procedures and simplifies our understanding of your files. We'll be glad to help you make sure that this sometimes-complex task is done right from the start.

December 2011 Individual Due Dates

December 1 - Time for Year-End Tax Planning

December is the month to take final actions that can affect your tax result for 2011. Taxpayers with substantial increases or decreases in income, changes in marital status or dependent status, and those who sold property during 2011 should call for a tax planning consultation appointment.

December 10 - Report Tips to Employer

If you are an employee who works for tips and received more than \$20 in tips during November, you are required to report them to your employer on IRS Form 4070 no later than December 12. Your employer is required to withhold FICA taxes and income tax withholding for these tips from your regular wages. If your regular wages are insufficient to cover the FICA and tax withholding, the employer will report the amount of the uncollected withholding in box 12 of your W-2 for the year. You will be required to pay the uncollected withholding when your return for the year is filed.

December 30 - Last Day to Make Mandatory IRA Withdrawals

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Last day to withdraw funds from a Traditional IRA Account and avoid a penalty if you turned age 70½ before 2011. December 31 is the actual last day to make a withdrawal. However, December 31 falls on a Saturday in 2011, and IRA trustees and custodians may not be open for business that day. Thus in most cases December 30 will be the actual last day of 2011 to make withdrawals.

December 31 Last Day to Pay Deductible Expenses for 2011

Last day to pay deductible expenses for the 2011 return (doesn't apply to IRA, SEP or Keogh contributions, all of which can be made after December 31, 2011). Taxpayers who are making state estimated payments may find it advantageous to prepay the January state estimated tax payment in December (Please call the office for more information).

31 Caution! Last Day of the Year

If the actions you wish to take cannot be completed on the 31st or a single day, you should consider taking action earlier than December 31st.

December 2011 Business Due Dates

December 15 - Social Security, Medicare and Withheld Income Tax

If the monthly deposit rule applies, deposit the tax for payments in November.

December 15 - Nonpayroll Withholding

If the monthly deposit rule applies, deposit the tax for payments in November.

December 15 - Corporations

The fourth installment of estimated tax for 2011 calendar year corporations is due.

December 31 - Last Day to Set Up a Keogh Account for 2011

If you are self-employed, December 31 is the last day to set up a Keogh Retirement Account if you plan to make a 2011 Contribution. If the institution where you plan to set up the account will not be open for business on the 31st, a Saturday, you will need to establish the plan by December 30. Note: there are other options such as SEP plans that can be set up after the close of the year. Please call the office to discuss your options.

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