

Advantage

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SOME NEW QUARTERLY REPORTING RULES

By Paula Fernald, Certified QuickBooks Advisor

If you have a business, you are probably quite familiar with quarterly reporting. The Federal Form 941 is used to report federal income and social security taxes to the IRS and the CT-941 is used for Connecticut tax withholding. In addition, the Connecticut Sales and Use Tax Return, Form OS-114 is filed annually, quarterly or monthly by many small businesses.

Changes to Federal Form 941

The form has major revisions for 2005 to make it easier to file. This new form will be used in April 2005.

- The form has been expanded to two pages (one page front and back)
- It should be easier to report corrections to prior forms
- There is a check box at the top of the form to indicate what quarter it is for
- What used to be the bottom of the form, the tax liability section, has been simplified. It should not be the nightmare that it has been in the past
- The instructions will be easier to follow
- In 2006, more employers will be able to file once a year instead of quarterly

Changes to Connecticut Form CT-941

Connecticut is requiring employers that were previously considered "Weekly Remitters" to file and remit the income tax electronically. The State will no longer

let you file your payments based on your IRS requirements.

You can determine your tax remittance (payment) requirements by looking at your CT-941s for the quarters ended September 2003 through June 2004 and totaling up how much you paid to the State:

\$2,000 or less – you are still a quarterly remitter. You may make the payment on or before the last day of the month following the close of the quarter with the form.

\$2,000 to \$10,000 – you are a monthly remitter. You must make the payment monthly, on or before the 15th day of the next month.

\$10,000 or more – you are a weekly remitter. You must make the payment electronically within a week or 10 days after the payroll date as follows:

Payday on Saturday, Sunday, Monday or Tuesday – Payment is due on or before the 2nd Wednesday following the payday.

Payday on Wednesday, Thursday or Friday – Payment is due on or before the Wednesday following the payday.

Changes to Connecticut Sales and Use Tax Return - Form OS-114

If you add up the sales taxes that you collected and paid to Connecticut during the period July 1, 2003 to June 30, 2004 and get a figure greater than \$10,000, you have new rules. You must now file your forms and remit the taxes electronically.

WHAT'S NEW FOR QUICKBOOKS IN 2005

By Peggy Dougherty, Certified QuickBooks Advisor

As you probably know, QuickBooks comes out with a new version each year. This year they have added a new product as well as improvements within the standard QuickBooks Basic and Pro versions.

The new product is QuickBooks Simple Start Edition. This is a very basic package that has the ability to track sales and expenses to produce records for your taxes. The cost for this software is only \$99. It is easy to get started and comes in two editions: desktop and online. The online edition will require annual subscription to the service. Items to note, the Simple Start edition does not import data from existing QuickBooks users. It also does not process payroll, track inventory, purchase orders or do online banking. So, if these were things that you really need, you need to purchase either Basic or Pro Edition.

One of the biggest changes within QuickBooks is in the payroll feature. Intuit has come out with an Enhanced Payroll Plus Edition. This new edition will process all of your Federal payroll forms like always, but will now process the State forms also. What a time saver that will be! This edition will cost either \$399 for the Pro updates or \$499 for the Premier updates per year, but will also include your QuickBooks software as well. So, you will always have the newest edition of QuickBooks. Besides having the newest software, tax tables and forms, it has improved workers' compensation tracking, net to gross calculations for bonuses or commissions and rapid time entry. The improvements include: managing customer payments more

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quickly, including over and underpayments, report navigator that is easier to find just the report that you want, as well as a Learning Center to increase your confidence with QuickBooks.

QuickBooks has also expanded its Premier and Enterprise Solutions to include more industry specific versions. They are: Accountant Edition, Contractor Edition, Manufacturing and Wholesale Edition, Nonprofit Edition, Professional Services Edition and Retail Edition.

As always, if you have any questions about QuickBooks software or the services that Marien + Company's team of Certified QuickBooks Advisors can offer, please call our office.

BECOMING A NONPROFIT ORGANIZATION

By Marcia L. Marien, CPA

One of the most intimidating ventures for a charitable, religious or educational organization is the process of becoming a recognized nonprofit organization with the IRS. We have stepped in to help organizations that had actually spent years pursuing this official designation. It should never take that long! Our record, for a simple nonprofit is four weeks. Unfortunately, lately the IRS has been backed up and claims that they might not even review your application for several months.

The IRS has been working for several years to overhaul the form used in this process. It has now been completed. The changes have been described as "dramatic" and "definitely more than cosmetic". The instructions have swelled from 7 pages to 38 pages! The old form will only be accepted until April 30, 2005. If you have one partially completed make sure it is postmarked before that date.

If you need assistance in preparing this form or would like to know more about it, please check out our seminar on March 25th.

QuickBooks – Tip of the Quarter

QuickBooks comes with a built in calculator. Any field that contains a number such as: the amount field on a bill, the debit or credit column of a journal entry or the amount on a check, can become a calculator. To activate this feature, simply enter the first number and then any function key (+, -, * Multiplication or / Division) then the next number in the function and continue to use until you are finished, then simply use the enter key to end the calculation and enter the product of your calculations into the number field you where originally in.

TAX NEWS YOU CAN USE

By Tom Marien, CPA, MBA, CVA

With the change in the year comes a change in IRS thresholds and rules. Here are some that may be particularly important for you:

	CENTS PER MILE	
	2004	2005
Business	37.5	40.5
Medical	14	15
Moving	14	15
Charitable	14	15

You may be able to deduct the miles that you drive for your work that you don't get fully reimbursed for using the business rates. Use the medical rates if your medical expenses are large enough for a medical deduction. We quite often see clients that have calculated their charitable contributions, but have not thought about the charitable miles they have driven to Board meetings, events and errands on behalf of a qualified charitable organization. To substantiate these costs, you should keep a notebook in your car or mark on your calendar the following information

- Date
- Destination
- Reason for the trip
- Deductible miles driven

Medical expenses – Generally, you must have significant medical expenses to get a deduction. If you can get a deduction, make sure that you have considered these items:

- Weight loss programs prescribed by a doctor. This might even cover the extra costs of special foods and the health club membership!
- Home improvements for medical purposes such as air conditioning for respiratory ailments, swimming pool for therapeutic purposes, and ramps, wider doors, support bars for a physical handicap.
- Long-term care insurance and expenses may be deductible up to certain limits as well.

These things are NOT deductible as medical expenses:

- Dancing lessons
- Funeral expenses
- Medical portion of auto insurance
- Maternity clothes
- Nonprescription nicotine patches and gum
- Teeth whitening

Taxes – There are some new rules in deducting taxes this year. You should

remember to deduct your state income taxes, but penalties and interest associated with this are not deductible. You may deduct your property taxes including real estate and motor vehicle when paid to the Town and not when into your mortgage escrow. If you have bought real estate this year, remember to get the amount of real estate taxes paid at the closing.

Interest – You may be able to deduct interest considered business interest, interest on qualified education loans and investment interest with certain limitations.

You should be able to deduct your mortgage interest used to acquire or improve your home. You may also be able to deduct some home equity interest. Points are deductible for the purchase or improvements to a home in the year that they are paid. If the points are to refinance, you might need to deduct just a portion of the interest over the life of the new loan. And, don't forget, late payment charges paid are generally deductible as mortgage interest too!

Contributions – Cash and noncash donations to qualified nonprofit organizations are deductible. Remember to consider:

- Charitable travel costs (see above)
- Volunteer out of pocket expenses that are not reimbursed
- Exchange students and foster children
- Web site rebates and payments on vendor invoices (for example when you donate money on your CL&P bill for Operation Fuel)

Do not deduct for any of the following:

- Donations to civic leagues, social or sports clubs
- Individuals or for profit organizations
- Political groups or candidates for public office
- The cost of raffle, bingo or lottery tickets
- Dues, fees or bills paid to country clubs, fraternal orders, etc.
- The value of your time or services

Miscellaneous Deductions – There are many deductions that may qualify for this area including:

- Gambling losses, to the extent of winnings
- Employee business expenses
- Hobby expenses, to the extent of hobby income
- Job hunting expenses
- Professional and union dues
- Safe deposit boxes or installation of a safe in your home
- Tax preparation fees
- Uniforms not suitable for street wear

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WHERE'S MY REFUND

By Thomas O. Marien, CPA, MBA, CVA

Federal - Generally, a Federal tax return is accepted by the IRS within 24 hours of e-filing it. A mailed return must get to the IRS, be processed and entered into their computer system before being accepted. This will add at least one week to the acceptance process.

Although the IRS does not guarantee a specific date that an e-File refund will be deposited into a taxpayer's account or the date that a paper check will be mailed, they do provide these guidelines:

Return accepted by the IRS between:	Direct Deposit Sent	Paper Check Mailed
February 3rd and 10th	Feb 18th	Feb 25th
February 11th and 17th	Feb 25th	Mar 4th
February 18th and 24th	Mar 4th	Mar 11th
Feb 25th and Mar 3rd	Mar 11th	Mar 18th
March 4th and 10th	Mar 18th	Mar 25th
March 11th and 17th	Mar 25th	Apr 1st
March 18th and 24th	Apr 1st	Apr 8th
March 25th and 31st	Apr 8th	Apr 15th
April 1st and 7th	Apr 15th	Apr 22nd
April 8th and 14th	Apr 22nd	Apr 29th
April 15th and 21st	Apr 29th	May 6th

If you do not receive your refund as expected, the IRS asks that you wait **at least 3 weeks** from the date the e-filing is accepted (at least 4 weeks for paper filing) before checking with them. To check on the status of a refund, you may call 1-800-829-4477 (toll free) or go to www.irs.gov and click on "individuals" and then "Where's my Refund". That will prompt you to enter the following information:

- Your Social Security Number
- Your Filing Status (Single, Married Filing Joint Return, etc.)
- The Refund amount (exactly as it is shown on your return)

Connecticut - Income tax refunds on paper filed returns are generally issued within **eight** weeks from the date the return is received. Until the return is processed, it will not appear on the State's computer system and they will not be able to check its status.

Refunds for electronically filed Connecticut returns generally are issued within 4 business days of the receipt of the return.

You may use the State's automated refund system 24 hours a day to check the status of your refund by calling 1-800-382-9463 (Toll free in-state) or 860-297-5962 (from anywhere). You must have your social security number (or your spouse's social security number if it is a joint return and your spouse's number is entered first on the return) and the exact amount of the refund request as reported on your 2004 income tax return. **IMPORTANT:** If your refund request was for a whole dollar amount, you must enter the dollar amount followed by the # sign and 00. For example: if your refund request was for \$500, enter 500#00.

MORE TAX SAVING TIPS FOR BUSINESSES AND INDIVIDUALS

by Yichun "Carol" Yan, MSA

Nowadays, a lot of Americans pay out-of pocket qualified medical expenses by taking advantage of employer-established Flexible Spending Accounts. Starting January 1, 2004, new innovative Health Savings Accounts are available to you, too. Are HSAs more flexible in meeting your health care needs? By looking at the following comparison, you will be able to make your own choice.

HEALTH SAVINGS ACCOUNT (HSA)

FLEXIBLE SPENDING ACCOUNT (FSA)

WHAT IT IS

Works in conjunction with a high-deductible health plan; you pay qualified medical expenses with tax-free dollars from the HSA; funds grow tax-free.

Employer-established benefit plans; you get reimbursed for qualified medical expenses with tax-free dollars from salary reductions.

PROS

Can save up to \$2,600 for individuals, \$5,150 for families (add an additional \$500 if age 55 or older) for out-of pocket expenses using pre-tax dollars. The plan is "portable" if you change employers or leave the work force. You can also carry forward your contributions from year to year.

No limit on the amount of contributions; contributions made by your employer are also tax-free; over-the-counter drugs can be paid.

CONS

Have to meet the high deductible rules (at least \$1,000 for individual and \$2,000 for families); cannot be enrolled in Medicare; may not get a policy if you have a pre-existing condition.

Contributions that are not spent by the end of the plan year cannot be carried over to the next year ("use-it-or-lose it"); self-employed persons cannot participate.

HOW TO CONTRIBUTE

You, your family member and your employer can contribute through a HSA trustee, such as a bank or insurance company. You have until April 15, 2005 to make contributions for 2004.

You contribute by designating at the beginning of the plan year; how much to be withheld from your pay through a salary reduction plan.

MORE INFO

<http://www.ustreas.gov/offices/public-affairs/hsa/technical-guidance/>

<http://www.irs.gov/publications/p969/ix01.html>

We have established a Flexible Spending Account in our office. Individuals cannot deduct medical expenses until they exceed 7.5% of their adjusted gross income. Most of our employees do not have medical expenses that high. The FSA allows our employees to get a tax break on certain medical costs (insurance co-pays, glasses, dental, orthodontist, over-the-counter medications, etc). Both our firm and our employees get a tax break on social security and medicare taxes as well.

Drive thy business or it will drive thee. Benjamin Franklin

UNCLAIMED PROPERTY – WHAT EVERYONE NEEDS TO KNOW

By Paula Fernald, Certified QuickBooks Advisor

What is unclaimed property?

Something owed to an individual or a business. It is considered unclaimed when there has been no contact for a set period of time, usually 3 years. (Payroll checks are now one year). This includes checks that were never cashed, gift certificates that were not redeemed, and savings accounts that have had no activity other than interest and items in a safe deposit box.

Who must report unclaimed property?

Anyone who has held another party's property for longer than the allowed time frame must report and remit the property to the State of Connecticut's Treasurer's Office. This includes individuals, businesses, governments and other legal entities.

Such "Unclaimed Property" reports (ST77) and the related property are due to the Connecticut Treasurer's office by March 31st of each year. The reports are required in an effort to ensure that all parties receive what is rightfully theirs. You can be charged a 15% per year interest penalty for not filing.

Planning note: You are required to send written notice to the owners within one year before presuming the item is abandoned. You should be sending that letter now for items that will go on your report next year!

Did you know that even you may have unclaimed property somewhere! Go to www.state.ct.us/ott/ucplisting.htm to find out!

The 2004 Holder Reporting Manual is available on line. We would recommend that, even if you are familiar with the requirements, you review it as some requirements have changes. Go to www.state.ct.us/ott

*****Businesses should keep copies of their reports for at least 10 years*****

FIRM NEWS

Marien + Company, CPAs was honored to receive the corporate support award from the Spirit of Broadway Theater at their annual awards dinner last month. We were treated to a fantastic evening at the Norwich Inn and Spa. We were able to talk with many of our friends and neighbors, some of the original playwrights and composers, as well as a number of professional actors, musicians and comedienne. We have

thoroughly enjoyed the professional productions that Brett Bernardini and his dedicated group have been putting on for the last 12 years! Bravo!

Piro Sassa, CPA, MSPA – Do you recognize the change? We are very excited to announce that Piro has completed all the requirements, paperwork and experience to officially be a Certified Public Accountant and he has achieved it with excellence! Piro is one of approximately 4% of CPAs that can claim he passed all four parts at once on the CPA exam on his first try. Congratulations Piro!

SCHEDULE OF CLASSES

Using Accounts Payable in QuickBooks
February 23, 2005 | Fee \$60.00

How to become a Nonprofit Organization
March 25, 2005 | Fee \$60.00

Preparing for Year End - Nonprofits/Governments
May 3, 2005 | Fee \$60.00

Making QuickBooks work for your Medical Practice
May 25, 2005 | Fee \$60.00

Please call for more information or to reserve your space in class.

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