

THE Wisconsin Accountant

2011 Seminars

June 23 - 24
Summer Seminar
Estates & Trusts
by Bob Jennings
Madison
Sheraton Hotel
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Marriott Milwaukee West
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October 3 - 4
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Wisconsin Dells
Kalahari Resort
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October 24 - 25
Federal Tax Update
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Stoney Creek Inn
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November 7 - 8
Gear Up 1040
Waukesha
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November 28 - 29
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December 5 - 6
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Wisconsin Association of Accountants ■ 1-800-237-4080 - 715-425-0482 - www.wiassociationofaccountants.com

June 15 Looms as Next Deadline For Estimated Tax Payments

Submitted by NSA

National Society of Accountants reviews the tax rules for self-employed individuals and offers advice on saving for estimated taxes

ALEXANDRIA, VA, May 23, 2011— More and more Americans are now self-employed, offering a renewed spirit of entrepreneurship and a new approach to work. It also means a new approach to taxes.

Instead of having taxes automatically deducted in each paycheck throughout the year – making it easy to pay – self-employed people typically make quarterly tax payments.

For 2011, the Internal Revenue Service (IRS) requires quarterly tax payments on April 18, 2001 (already passed); June 15, 2011; September 15, 2011; and January 17, 2012. States that charge income tax typically require payments on the same type of schedule, although specific due dates may differ.

As the June 15 deadline looms in the days ahead – just two months after the April 18 deadline – the pressure is on many entrepreneurs to come up with the money to make this next payment.

“Keeping up with these payment requires financial discipline,” explains National Society of Accountants (NSA) Executive Vice President John Ams. “It’s not easy, especially in a tough economy. The income levels of self-employed people also usually vary from month to month, and a few lean months in a row can spell trouble. Missing deadlines can mean paying penalties and interest on unpaid taxes.”

The IRS General Rule for estimated tax states that individuals must pay estimated tax for 2011 if both of the following apply:

1. You expect to owe at least \$1,000 in tax for 2011, after subtracting your withholding and refundable credits.
2. You expect your withholding and refundable credits to be less than the smaller of:
 - 90 percent of the tax to be shown on your 2011 tax return
 - 100 percent of the tax shown on your 2010 tax return. Your 2010 tax return must cover all 12 months.

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Executive Corner . . .



**Byron Dopkins,
Executive Director**

Summer is here and the weather is why we put up with those nasty winters! Dues notices are out – please return them as soon as possible. Again we added a small additional amount to cover your local chapter dues. Many of you are not involved at the chapter level and I hope this may show you to get involved in your chapter.

We are also looking for interested members to join our board of directors. It is typically a three year term. We do not meet during the tax season and some of the board meetings are connected to a seminar and our convention. We reimburse mileage and at times hotel costs. Please call me if you want more info or want to add your name to the list of nominations.

If we don't see you in Madison for Gear Up's Estates and Trusts seminar, have a great summer and see you in the fall at convention or our next seminar!

Byron L Dopkins, EA, ABA
WAA Executive Director

From the President . . .



**Thomas Adler,
President**

I hope the weather warms up and summer arrives soon. You deserve a vacation after a busy tax season. I talked with many members in Green Bay and they thought the tax season was longer, more stressful, and their clients had more difficult returns.

Please register for the estate and trust seminar in Madison, so you can help your clients or bring new business into your office.

Byron has sent out dues for the next fiscal year. I would appreciate you paying the dues soon to save follow-up billing.

Please contact fellow accountants you know about the WAA and invite them to our website. The WAA membership will provide your friends with the education and information to provide high quality services to their clients. Your friends will appreciate the referral from you.

The board needs your ideas and help to develop a stronger WAA. We must have the local chapter functioning to provide you education and allow networking with your peers to help you serve your clients needs.

Please send your ideas to me for improving the WAA.

Sincerely yours,

Thomas M. Adler, CPA, ATA, ATP
WAA President

WAA Benefits

- Seminars and Educational Forums
- Accreditation
- Local Chapter Involvement
- Government Agency Liaison
- Monitor Legislation
- Insurance Programs
- Accountants Protection Plan

WAA Objectives

- To raise professional standards and improve the practice of accountancy.
- To strive for excellence in the profession.
- To encourage accountants in a continuing program of professional development.
- To foster increased recognition for the professional in the public, private and educational sectors of our state.
- To initiate legislative action and provide government liaison between the accounting profession and government leaders.
- To provide meetings and fellowship for accountants.
- To promote the highest standard of ethical conduct among its member.

June 15 Looms as Next Deadline For Estimated Tax Payments

Continued from page 1

Farmers and fisherman get a break – if they earn at least two-thirds of their income from these professions, they can base their estimated tax payments on two-thirds of the tax to be shown on their 2011 tax return instead of 90 percent.

But higher income taxpayers (adjusted gross income of \$150,000 or more or \$75,000 if married filing separately) must substitute 110 percent for the 100 percent qualification noted in the rule above (except for farmers and fisherman).

Not only do quarterly tax payments need to be made on time; they must also be the right amount – each quarterly payment should equal at least one-quarter of the total estimated tax for the year.

How can self-employed people make it easier to save for estimated taxes?

“Instead of paying yourself with one check or electronic debit from your business account, make two payments – one goes to your personal checking account and the other (in the amount of your estimated tax) goes into a separate savings account,” Ams suggests. “Keeping the tax money out of sight and out of mind reduces the temptation to spend the money.”

If you can't make a tax payment on time or need to pay less than required, don't despair. Just make it up and send it in as soon as possible to minimize penalties and interest. The interest rate the IRS currently charges on late tax payments is 4 percent.

If you want more advice, consult a professional. NSA offers an online search directory to identify a qualified accountant in your area. Visit www.nsacct.org and click on “Find a Professional” or call 800-966-6679.

NSA Offers Self-Study Course for Registered Tax Return Preparer Exam Course considered “blueprint” for passing exam

Submitted by NSA

ALEXANDRIA, VA, May 23, 2011— The National Society of Accountants (NSA) is offering a new self-study Registered Tax Return Preparer (RTRP) Exam Review Course to prepare for the exam the Internal Revenue Service will require all RTRPs to pass to show they are competent to preparer federal income tax returns.

The RTRP exam is expected to be available later this year. All tax preparers that register to become RTRPs and receive a Personal Tax Identification Number (PTIN) before the competency exam is available will have until the end of 2013 to take and pass the exam. Once they pass the exam, preparers will become IRS Registered Tax Return Preparers.

Written by subject matter experts John O. Everett, Ph.D., CPA and Cherie J. Hennig, Ph.D., CPA, the NSA Registered Tax Return Preparer Exam Review Course provides a thorough review of all federal taxation topics and subjects outlined by the IRS.

“This course is the blueprint for passing this essential exam,” said NSA Executive Vice President John Ams. “It's important to stay ahead of the curve on registering for the tax preparer oversight program. Those who act early and earn their RTRP credential will be well-positioned to assure their clients that they comply with all federal requirements for paid tax preparers.” NSA is making the course available now to give individuals a head start in their exam preparation.

The exam is available in three formats: File download, CD-ROM, and print. For NSA members, the cost for the File Download and CD-ROM versions is \$100, and the cost of the print book is \$150. Costs are \$50 higher for nonmembers.

Visit www.nsacct.org for more information and to purchase the course.

“It is better to have enough ideas for some of them to be wrong, than to be always right by having no ideas at all.” ... Edward de Bono

Submitted by NSA

Many leaders believe resolve is an indicator of strength, and so they vehemently resist change. Leaders do need to show commitment and consistency. Employees value a leader who can stick to his guns. But self-justification and blind faith in the face of mounting evidence to the contrary can quickly push those leaders over the line into arrogance. As much as leaders worry about appearing strong and resolute, it is much more likely that they will err in the direction of looking delusional in their consistency. If you've crossed this line then you are at serious risk of losing all credibility and there is only one way to get it back: Admit you were wrong.

If you're ready to admit you've made a mistake, then do it without excuses. It is so rare for leaders to accept responsibility without pointing to extenuating circumstances that when they do, it is greeted with amazement and praise. While consistency is an important leadership trait, the ability to admit mistakes and accept full responsibility far outweighs the appearance of resolve. As a leader, changing your culture to one that accepts mistakes will not only make it easier for people to admit their errors and change course when necessary, but it will foster a more open atmosphere of candor and feedback.

Most managers are terrified that admitting their mistakes will show they are weak or stupid; because of this fear they will choose resolve even in the face of obvious failure. Ironically, this type of blind devotion to flawed strategies will make them look far worse than simply accepting responsibility, speaking with candor and showing the strength to change. The risk of looking foolish is miniscule compared to the goodwill earned from standing up and doing the right thing.

Nobody likes a quitter, but at some point leaders need to know when to throw in the towel and stop throwing good money after bad.

—by Dao, Francisco. “Can You Admit You Were Wrong?” Inc. Magazine Jan 2008.

Ad on License Plate Holder and Car Deductions

Submitted by Ashwaubenon Tax Professionals

We mention this case only to give you a chuckle for the day. There were several issues in this case, but the one that caught our attention is a Why did they claim that deduction type of reasoning. The taxpayers represented themselves at both Tax Court and at the Fourth Circuit Court of Appeals.

Mr. Willocks primary occupation on their MFJ 2002 & 2003 tax returns was as a dentist. On their returns, they claimed business deductions for 100% of their four vehicles. The taxpayers claimed the entire costs of purchasing and operating the vehicles were deductible because the vehicles all contained a LICENSE PLATE HOLDER that displayed the name of the dental practice. In addition Ms. Willock had veneers (cosmetic dental applications) applied to her teeth by Mr. Willock. Therefore everywhere she drove she was a walking, talking billboard for [the] dental office and all expenses of the vehicles were deductible. Of course, IRS disagreed. So did Tax Court and the Court of Appeals. [We find it amazing how many taxpayers believe that a license plate holder, magnetic sign on the side, or a painted sign on the vehicle automatically gives them a 100% write off for their vehicle expenses.]

We are confident the deduction for the vehicles based on the license plate holder was not the only reason Mr. & Mrs. Willock took this matter to Court, but we find it interesting they continued to argue this position in Appeals. Dont forget that they represented themselves.

Some of the other issues included in this case were 1) unreported income, 2) losses from a marketing business (Nu-E World Lexus International) with minimal sales (denied as a hobby), and 3) a trip to Hawaii for a dental seminar (didnt prove attended a seminar nor the business purpose of the trip). They also had been audited on their 2001 return resulting in a balance due of almost \$200,000 counting taxes and the accuracy related penalty.

C. Michael & Gwendolyn E. Willock v Commissioner, TC Memo 2010-75 (April 14, 2010) and Court of Appeals, 4th Circuit, 2011-1 USTC (May 5, 2011). You can find the Tax Court case at www.ustaxcourt.gov by clicking on Opinions Search and entering Willock.

The Most Practical Tax Class Ever?

We are excited to bring you Jennings Seminars' 2011 Business Tax in Depth class because it looks to be the most practical business seminar we have ever brought you. Bob has taken the 600 page complete desktop reference manual from 2010 that addresses nearly every S corp, C corp and LLC tax issue experienced in daily practice, and added over 200 man hours of new topics for 2011. The new topics include our in-depth discussion of 7 case studies: Converting an S corp to a C corp; an LLC to a C Corp; a C Corp to an S Corp; an LLC to an S Corp; incorporating a Schedule C; dealing with a partner buyout; and dealing with a partner walk-away. These cases include discussion, forms, tax returns and all example elections to walk you through every step of the process. We have also added a new real-life case study from Bob's office on the tremendous tax benefits to be achieved from bargain-sale charitable contributions; a complete toolbox with forms and letters for solving late "S" elections; partnership letters for incorrect receipt of W-2's by partners; and a new case study of a rare "S" corp step-up basis election. Of course we also cover all the new depreciation rules as well as the brand new LLC regulations on self employment tax. Whether you are expanding your practice with business returns for the first time or serving more and more complex client issues this class provides the guidance for both advanced users and beginners, as well as the best reference manual in the industry, the free E-Book, email access to your questions and speakers who actually will answer questions at the seminar.

HSA Amounts for 2012

Submitted by Ashwaubenon Tax Professionals

The HSA amounts are indexed earlier in the year (normally released in May) than other indexed items (normally released in December). IRS has now released the indexed amounts for HSAs for 2012.

** The CONTRIBUTION limitations for 2012 are: Single coverage is \$3,100 (up from \$3,050 for 2011)

Family coverage is \$6,250 (up from \$6,150 for 2011)

(The catch up amount for taxpayers reaching age 55 or older by the end of the year remains at \$1,000)

** A HIGH DEDUCTIBLE health plan is a plan that has an annual deductible that is not less than:

\$1,200 for self-only coverage (same as the amount for 2011)

\$2,400 for family coverage (same as the amount for 2011)

** The annual OUT-OF-POCKET expenses (deductibles, co-payments, and other amounts, but not premiums) cannot exceed:

\$6,050 for self-only coverage (up from \$5,950 for 2011)

\$12,100 for family coverage (up from \$11,900 for 2011)

A copy of the Revenue Procedure can be found at www.irs.gov/pub/ by clicking on irs-drop and then on rp-11-32.

This Internal Revenue Service Webinar Reporting Foreign Financial Accounts on the FBAR

Presented by the Internal Revenue Service

Date: June 1, 2011

Submitted by IRS

This FREE webinar is for:

- Professional preparers
- FBAR filers

Learn about:

- The recently revised IRS instructions and form needed to report foreign financial accounts that total over \$10,000 anytime during the year.
- Who must file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, known as an FBAR, and when?
- Which foreign accounts must be reported, and which accounts are exempt.

Earn Continuing Professional Education credit

- Enrolled agents receive one CPE credit for participating for a minimum of 50 minutes from the start of the webinar.
- Other tax professionals may receive credit if the webinar meets your organization's or state's CPE requirements.
- To receive credit, you must attend the presentation offered on June 1, 2011. Register for the webinar using your email address, and use the same email address to log in to attend. This will confirm your attendance and generate your Certificate of Completion.
- *Only June 1, 2011, participants will receive certificates. If you do not need a certificate to obtain CPE credit, you may choose to view the archived version of the webinar after June 1, 2011.
- Look for your Certificate of Completion by email approximately one week after the webinar. If you have met all requirements, you will receive your certificate automatically.

Register & Attend

- Register for the session at <http://www.visualwebcaster.com/IRS/79501/reg.asp?id=79501>

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2 p.m.

CENTRAL
1 p.m.

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Noon

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11 a.m.

Information

- Visit www.IRS.gov and search Webinars for information about other events.
- If you experience difficulty viewing the event, please use the email option on the event page or call 866-956-4770.
- This event will be archived on the IRS Video Portal for later viewing approximately two weeks after the date of the event.

Sponsored by: IRS Small Business/Self Employed Division



2011 tax rates, deduction amounts and related 2011 information

Submitted by Jennings Seminars

We have received numerous emails regarding 2011 tax rates, deduction amounts and related 2011 information. Here is a quick summary for you:

Vehicles:

Rev. Proc. 2010-51 announced 2011 mileage rates as:

- Medical/Moving 19 cents
- Business 51 cents
- Charity 14 cents

The portion of the standard business mileage rate treated as depreciation is 22 cents per mile for 2011 (23 cents per mile in 2010)

For business use of car providers, the allowed auto cost may not exceed \$26,900 or \$28,200 for trucks and vans.

Exemptions & Rates

The December, 2010 Tax Relief Act made a number of changes and announcements for 2011 and 2012.

1. 2011 and 2012 tax rates will remain at 10%-35%.
2. Personal exemptions are allowed in full for 2010, 2011 and 2012. The amount remains unchanged at \$3,650.
3. Itemized deductions are allowed in full for 2010, 2011 and 2012.
4. Capital gains rates for 2011 and 2012 remain at 2010 rates, and dividends will remain taxed at capital gains rates through 2012 as well.

2011 and 2012 Capital Gains Rates If net capital gain is from:	Then maximum capital gains rate is:
Capital gain & qualified dividends when the regular tax rate is lower than 15%	0%
Capital gain & qualified dividends when the regular tax rate is 15% or higher	15%
Un-recaptured Section 1250 Gain	25%
Gain on Qualified Small Business Stock Eligible for the Section 1202 Exclusion (Applies to taxable portion only after exclusion)	28%
Collectibles	28%

5. The marriage penalty relief provisions in place for 2010 are extended through the end of 2012.
6. Alternative minimum tax exemptions for 2011 will be as listed. Additionally personal tax credits will continue to be allowed against AMT for 2011.

AMT Exemption Amounts	2001-2002	2003-2005	2006 only	2007 only	2008 only	2009 only	2010 only	2011 only
Married Filing Jointly	45000	49000	58000	62550	66250	69950	72450	74450
Single or Head of Household	33750	35750	40250	42500	44350	46200	47450	48450

7. The \$250 teacher supply deduction was extended for 2010 and 2011.

Schedule A Deductions from the December, 2010 Tax Act

1. The deduction for sales tax in lieu of state and local income tax was extended for 2010 and 2011. The special real estate tax deduction for non-itemizers was not extended.
2. The conservation deduction rate for 2010 and 2011 was held at 2009's rate of 50% of AGI.
3. The direct trustee-to-trustee transfer from an IRA to a charity as a non-taxable, non-deductible amount which satisfies RMD requirements was re-instated for 2010 and 2011, limited to \$100,000 per taxpayer, per year for individuals over age 70 and 1/2.
4. The deduction for mortgage insurance premiums as qualified mortgage interest was extended through 12/31/2011.

Schedule B

A provision of the 2009 HIRE Act will go in to effect at the end of 2011 for foreign assets worth over \$50,000. This includes investors in foreign equity funds including hedge funds and private equity funds. If the total balance of all such funds is greater than \$50,000 (financial assets only) the taxpayer must file a special statement with their 1040 showing: The maximum value of the assets during the year; the name, address and account number of the foreign financial institution where the account is maintained; the name and address and other necessary information needed to identify the class or issue of which the security was issued, and; any other contract, interest, instruments, names, and addresses of all foreign issuers and counterparties involved in any financial instrument. *Note this filing is separate from the disclosures of foreign accounts over \$10,000 required on Form TDF 90-22.*

Depreciation

The December, 2010 Tax Relief Act made a number of changes affecting depreciation:

1. Assets placed in service after 9/8/2010 and through 12/31/2011 qualify for 100% bonus depreciation. Assets placed in service prior to 9/9/2010 qualify for 50% bonus depreciation. The 50% bonus rate is also available in 2012.

Bonus depreciation may be claimed on qualified leasehold improvement acquired after December 31, 2007 and placed in service before 9/8/2010 at 50%. From 9/9/2010 through 12/31/2011 it qualifies at 100%, and for 2012 it again qualifies at 50%. Restaurants & retail property do not qualify for bonus depreciation unless they also meet the qualified leasehold improvements definition under Rev. Proc. 2011-26.

2011 tax rates, deduction amounts and related 2011 information

Continued from page 7

Purchase Date	1/1/2009-9/8/2010	9/9/2010-12/31/2011	1/1/2012-12/31/2012
Rate	50%	100%	50%

Bonus depreciation is mandatory, and an election must be attached to the return for any asset class life categories for which no bonus is taken. Only new assets qualify for bonus, except for trade-ins, in which case the entire basis of the new asset qualifies.

Bonus is not limited by income. Bonus is available for nearly all new purchases in the applicable time period in the 3, 5, 7, 10, 15 and 20 year life categories including leasehold improvements. Only related party purchases, retail, restaurant and foreign assets are excluded from bonus depreciation. Note that this change also allows 100% bonus depreciation for heavy SUV's and pickups with a GVW over 6,000 pounds.

2. Section 179 will decrease to \$125,000 for 2012 with a \$500,000 phase out limit. In 2013 Section 179 drops to \$25,000 with a \$200,000 phase out ceiling.

Computer software will continue to be eligible for Section 179 through the end of 2012.

3. The special 15 year depreciation life for leasehold improvements, retail and restaurant property was extended through 12/31/2011.

Credits

The December, 2010 Tax Relief Act made a number of changes affecting individual tax credits:

1. The 2010 child tax credit amount of \$1,000 will continue through 2012, as will the refundable nature to the extent of 15% of earnings above \$10,000.

2. The higher 2010 rates and phase-outs will continue through 2012.

3. The dependent care credit amounts of \$3,000 for one child and \$6,000 for more than one child are extended through 2012. Additionally the higher 2010 credit rate of 35% will continue through 2012.

4. The increased 2010 and 2011 adoption credit amounts are extended through the end of 2012.

5. The Residential energy efficient home credit has been extended indefinitely. However, the maximum credit allowed per home after 12/31/2010 will be limited to \$500 overall and individually at \$200 for windows and similar pre-2006 credit limits. If the credit has already been taken on a personal residence under old rules in excess of \$500 total, no additional credits will be allowed for that residence. If the taxpayer moves to a new residence, the credit is available for the new residence.

6. The 30% alternative vehicle refueling property credit has been extended through 2011.

Education

The December, 2010 Tax Relief Act made a number of changes affecting education:

1. Student loan interest deductions are allowed for the total repayment term through the end of 2012, and using the higher AGI phase out amounts from 2010.

2. Scholarships from the National Health Services Corp, and the F. Edward Herbert Armed Forces Health professions Program will be tax free in 2011 and 2012.

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