

## 2012 Cost-of-Living Limits

IRA Contribution Limit \$5,000

IRA 50 & Over Catch-up

Contribution \$1,000

401(k) Deferral Limit \$17,000

401(k) 50 & Over Catch-up

Contribution \$5,500

SIMPLE Deferral limit \$11,500

SIMPLE 50 & Over Catch-up

Contribution \$2,500

Annual Compensation limit \$250,000

Defined Contribution IRC Sec 415

limit \$50,000

Compensation limit for SEP eligibility

\$550

IRC Section 179 \$139,000

Estate Tax Exclusion

\$5,120,000

Gift Tax Annual Exclusion

\$13,000

Social Security Wage Base \$110,100

[2011 & Prior Years' Limits](#)

## 2012 Standard Mileage Rates:

Business mileage rate **\$0.555**

Medical & Moving mileage rate **\$0.23**

Charitable mileage rate **\$0.14/mile**

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## **Have a Topic or Question?**

If you have a subject or question that you would like covered in a newsletter, please email us at

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# JENNIFER A. JONES, CPA, LTD.

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Client Newsletter

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**New Consumer Tax Resources:** Explore the [360taxes.org](http://360taxes.org) website designed by CPAs to help consumers find tax resources and explain how CPAs differ from other tax preparers, as well as highlight the services a CPA offers. It also provides guidance on selecting a tax preparer and underscores the value of year-round tax planning. Free tax resources include tips and FAQs; a calendar of state CPA society organized tax-related events across the country; and an Ask-A-CPA section, where CPAs volunteer to answer consumer questions. 360taxes.org is an extension of 360 Degrees of Financial Literacy, the CPA profession's volunteer effort to help Americans manage their finances through every stage of life. You can explore this companion website for financial literacy. <http://www.360financialliteracy.org>

**Year-Round Tax Planning:** Although the 2012 tax season is upon us, there are still some last-minute moves you can make to save taxes on your 2011 return. Tax planning is a year-round activity, so now is also a good time to plan for 2012 and future years. For some ideas to get you started. For individuals, [click here](#), for small business owners, [click here](#).

**Children Employed in Your SMLLC:** A taxpayer who operates a business as a sole proprietorship or as a husband-wife partnership can hire his or her under age 18 child as a legitimate employee of the business, and the wages will be exempt from Social Security and Medicare taxes. The wages will be exempt from FUTA taxes if the child is under age 21. The child can be hired part-time, full-time, or whatever works. Then, the child can use his or her standard deduction to shelter up to \$5,950 of income (for 2012, up from \$5,800 for 2011) from federal income tax.

There was a lot of doubt about whether the exemption was available to a disregarded SMLLC (single-member LLC) that is treated as a sole proprietorship for federal tax purposes. That's because 2007 amendments to Reg. 301.7701-2, which became effective for wages paid on or after 1/1/09, say that disregarded SMLLCs must be treated as corporations for federal employment tax payment and reporting purposes, and corporations are ineligible for the employee-child exemption.

New Temp. Reg. 31.3306(c)(5)-1T(d) clarifies that the owner of a disregarded SMLLC is treated as the employer for purposes of the under age 21 employee-child exemption from the FUTA tax. In other words, the SMLLC is **not** treated as a corporation for purposes of the exemption. So, if your under-age-18 child works as a legitimate employee of your SMLLC business, the wages will be exempt from Social Security and Medicare taxes. The wages will also be exempt from FUTA taxes if the child is under age 21.

**Retirement Communities and Continuing Care:** You, your parents or loved ones may be considering entering a Continuing Care Retirement Community (CCRC). This can involve a significant financial commitment. The good news is it can also create some tax benefits in the form of tax deductions for medical expenses that can lower the cost. If you pay over 50% of the support for the CCRC resident, and you pay the CCRC costs, you can report the same amounts as Schedule A medical expenses. This is true even if the other you cannot claim the CCRC resident as a dependent because their gross income is too high. For information on how CCRCs work and the tax benefits involved, [click here](#).

**Independent Contractors, 1099 Reporting Requirements and Penalties:** A penalty may be imposed for failure to file a correct and timely information or payee statement to the IRS. The amount of the penalty has doubled for returns filed on or after Jan. 1, 2011. The penalty is now \$100 per return, reduced to \$30 for returns fewer than 30 days late and to \$60 for returns filed 30 or more days late, but filed before August 1<sup>st</sup>. A top audit target of the IRS continues to be the proper classification of workers. So it is essential that workers are classified properly and the payments reported on timely filed Form 1099-MISC. See an article in AIPB's August 2011 issue of *The General Ledger* and *Tax Notes Today* by Robert W. Wood, Attorney, that lists the 10 most common mistakes businesses make when they classify workers as independent. [Click here for the list of pitfalls.](#)

**Executor's Duties:** While serving as an executor can be an honor, because of the trust the decedent obviously placed in the chosen individual, it is also a difficult and often thankless task. Executors have many duties and responsibilities. To help navigate those duties during a particularly stressful period, here's a [checklist](#).

