

QuickBooks 2008 support will no longer be available as of the end of May, 2011. If you currently use QB 2008 you will need to upgrade in order for your payroll service to continue.

## A Letter From the Partners...

Life teaches us many lessons if we just look for them. When I got my hair cut this past week, there was a customer who had already been there for four hours and was just getting finished. As she went to the front desk to pay, they were all clustered together trying to determine what to charge her. I became interested in the activity and asked what was going on. My stylist explained that she walked in that morning, with no appointment, with a terrible hair color situation where she tried to color it herself and it was now a combination of brown and purple with green ends. She wasn't an existing customer but they worked her in and two stylists worked interchangeably for four hours. I then asked what her bill was and they said \$140!

My stylist was unhappy because she had been asked to step in to help with one procedure and she was going to end up with \$15 for her share. She called the owner over and started telling why she was unhappy.

Well, I was right there and couldn't help myself. I spoke up. I asked the owner how they determined that fee and she said they were trying to help this person out and they really just didn't know exactly what to do, so they just ended up guessing and since the customer didn't

complain, they assumed that was a good price.

That was nice, don't get me wrong, but..... I asked her how much she would have made in that four hour segment of time typically and asked her how that

compared to what she charged.

She said she never thought about it that way. Using examples of other situations, I mentioned what would happen if she walked into another professional's business with an emergency and what she would have expected. As we

talked, she began to see how she missed an opportunity to make more money; have a happier staff while still maintaining the goodwill of the customer.

This is just one example of how we need to develop strategies for different circumstances that occur, so that we can plan the outcome when not under stress. We need to take into account the total picture of how staff, the patient/customer and the overall practice are affected so a proper decision can be made. Not thinking ahead; not seeing the total picture; and not getting insights from the patient/customer can be very costly. Systems within a practice or any business for that matter are so tremendously important, but often overlooked.



### MORE

Staff Spotlight... 2

1099's... 2

Energy Tax Credit... 3

New Hire Retention Act... 3

Independent Contractors ... 4

## Education in Luxury!

Are you looking for a way to get your continuing education credits while relaxing at the same time? We have got the answer for you! The Academy of Dental CPAs and Dr. Charles Blair's Insurance Solutions Newsletter will be offering a continuing education getaway in January and June of 2012.

Bob and Darla have been asked to be presenters and would like to invite you, your

partners, team members, and even family to join them!

The first destination will be held in St. Maarten, Netherlands Antilles, January 15-22, 2012 at the Sonesta Maho Beach Resort and Casino.

The second destination will be held in Hawaii, June 16-23, 2012 at the Kauai Marriott Resort in Lihue.

Courses will be held from 8-12 daily. The rest of the day will be yours to sit back, relax and rejuvenate to better serve your patients when you return home!

If you are a practicing dentist, you will be receiving more information on this opportunity from us soon. Until then, if you have any questions please do not hesitate to contact us!

## 1099's

The law that most of us are familiar with for 1099 reporting has been around for years. It had the magic number - \$600 as the trigger. If you paid a person or business more than \$600 in a year for services outside of your main business, you were required to give them a 1099, unless they were incorporated. It was usually for services for repairs, lawn mowing, snow plowing, painting, professional services, janitorial or part time help.

Then legislation was passed to make the 1099 reporting a much wider program. Beginning in 2012, you were to now include just about every source of payment, incorporated or not, including rental properties. Owners of rental properties were to now be included so that they would have to issue 1099's to any service provider in the course of earning rental income. If you took the business vehicle to be serviced, you were to issue them a 1099 if it exceeded \$600.

Legislation now has addressed this after much upheaval. Rental properties are no longer included and the regulations have been relaxed more in issuing 1099 forms for services. They are still required for many people that you pay for services rendered, but it won't be as invasive as it earlier was touted.

They didn't do away with the reporting requirements; they are still stringent, but less than they were originally purported to become. The easiest way to meet this requirement is to get everyone's Social Security Number or Employers Identification Number (EIN) and address before you pay them for their services. People are much more compliant with getting that information to you if they haven't been paid yet. Send it to us and we can get those 1099 forms out earlier which keeps everyone happy.

# Energy Tax Credit

The Energy Tax Credit has helped many people save money on their tax returns. One big problem we did see in preparing returns for 2010 was that it was assumed that all new energy efficient items would qualify for the tax credit. Heat pumps seemed to be the biggest one that we found did not meet the specifications for the credit. Windows and doors were also contenders.

Don't take tax advice from chain stores or plumbers and electricians. They mean well,



but aren't always up to date with their knowledge of tax laws.

This credit has also lost some of its luster for 2011 too, so be careful. The 2011 tax credit amount drops to 10% of a project with a \$500 max. To compare, for 2010, it was 30% of the project up to a max of \$1,500.

For Energy Star window tax credit – it extends up to \$200 maximum; for water heater tax credit it goes up to \$300 maximum; air conditioner tax

credit goes up to \$300 maximum; insulation, doors and roof credits are up to the \$500 cap; furnace tax credit has a \$150 maximum and the efficiency is now 95% up from 90% previously.

The big kicker is that if you've already taken advantage of the Energy Tax Credit – whatever you claimed in the past counts against the \$500 in 2011. This makes it unavailable to many taxpayers.

Geothermal and Solar are still available credits and have been left largely untouched— Please call us to discuss this in more detail.

# New Hire Retention Tax Credit

This Tax Credit may be *underutilized* in your practice. In 2010, one new payroll tax incentive was available for employers that hired an employee who had been unemployed previously. The law requires that the employer get a statement from each eligible new hire certifying that they were unemployed during the 60 days before beginning work or, alternatively, worked no more than 40 hours during the 60-day period to be

eligible for this tax incentive. For 2010, you were entitled to claim a payroll tax exemption for those wages you paid to them during 2010. Here is the next step:

If they stay with you for one year, you can file for the New Hire Retention Tax Credit in 2011. This credit is 6.2% of their 2011 wages up to a maximum of \$1,000 per individual hired. Each employee hired has to remain employed for at least 52

consecutive weeks, as long as their pay in the last 26 weeks of the period is at least 80% of their wages for the initial 26 weeks. The amount of the credit is the lesser of \$1,000 or 6.2% of wages paid by the employer to the employee during the 52 consecutive week period.

If this situation exists in your practice, let us know and we can help you file for those tax credits on your tax return.

422 Epic Drive  
Chambersburg, PA 17201  
717-263-8713 (Phone)  
717-263-9435 (Fax)  
www.gpallc.net

Be on the lookout for our brand new  
E-Newsletter! Please return the  
enclosed postcard so we can update our  
files and you can enter to win a  
\$100 gas gift card!!!

We're on the web!  
gpallc.net

## Independent Contractor Vs. Employee

You are more likely than ever to be questioned by the Internal Revenue Service or your state unemployment agency regarding the classification of your staff. The IRS has made agreements with many states to share tax examination results, so you will pay taxes at both levels, if there are any violations.

The difference between an employee and independent contractor is important to understand. The biggest difference in taxes is that for an employee, you have Social Security and Medicare withheld from the paycheck. As the employer you are required to match their Social Security and Medicare which is 7.65% of their

gross pay. An independent contractor pays the employee side AND employer side themselves totaling 15.3%. It is easy to see why employers want to hire someone as an independent contractor and the person hired wishes to be treated as an employee because of the tax savings.

If your staff makes substantial investments in equipment, tools and supplies and they have some entrepreneurial goals, then they may actually be independent contractors. If you direct and control the workers

toward your established goals, then it probably is an employer relationship. There are many other tests to use to determine the correct employment status. Compound this with having a

retirement plan and you haven't classified your workers properly. You could be at issue with compliance in your retirement plan.

Unless you have total understanding of the rules, you will want to err on the employee-employer relationship. Penalties can be harsh and expensive. It's an area that can be unclear but is being examined closely.

