

Tax News You Can Use

Bob McCombs and Company
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Form 1099-MISC---Do I Have to File Them?

The form 1099-MISC is the IRS form that shows services performed by anyone for a business that is not an employee. The amount paid for business services goes in box 7 of the form. IRS charges a \$100 penalty for each form that is not prepared. See below for some questions and answers.

Who has to prepare Form 1099-MISC?

If you file a Schedule C or F with your tax return, or are a partnership, corporation or LLC, you do. A landlord with several rent houses is not considered to be a business, therefore they do not have to file 1099's. Also exempt from filing are payments made to persons working in your home, unless you have an office in your home.

Who gets a 1099-MISC?

Anyone who performs services for your business that is not an employee. Some examples are contract labor, attorney fees, tax return preparation fees, subcontractors, repairs and maintenance to buildings and equipment (including vehicles), veterinarians, farriers, web page designers, computer repair persons, accompanists, piano tuners, and substitutes. Remember, 1099-MISC's are for business services, so if you can't deduct the payment, you don't need to fill out one.

Who does not get a 1099-MISC?

You do not have to prepare a 1099 if the payment was made to a corporation. The sole exception is attorneys, who should get one whether incorporated or not.

Is there a minimum amount before I have to fill out the 1099-MISC?

If the total payments in the calendar year to the service provider are less than \$600, you don't have to fill out a 1099 for that person.

When are they due?

Copy B of Form 1099-MISC should be mailed or delivered to the payee by January 31. Copy A should be postmarked to the IRS by February 28.

An employee performs services. Why don't they get a 1099 form?

Employees get a W-2 form instead.

Does anything else go on a 1099-MISC except business services?

If you pay rent over \$600 to a non-corporate lessor / landlord, the payment goes in Box 1. Royalties over \$10 go in box 2. Other income over \$600, shown in Box 3, include prizes and awards paid by your business, and wages paid to deceased employees after their death.

Do I need any other forms to accompany the 1099-MISC?

You must prepare a Form 1096 to accompany the Copy A's that are filed with IRS. This is the form that you sign saying that the form 1099's are correct.

Where do I get the 1099-MISC and 1096 forms?

Copy A is a pink colored form that is filed with IRS. You have to get the actual form, since it cannot be downloaded from the IRS website. You can order them for free by calling 1-800-TAX-FORM. IRS takes from 1 to 3 weeks for delivery.

Alternatively, we keep a stock on hand for our clients. We sell them for 20 cents a page. Office Depot also sells packets of 50 forms for \$12.

Note: If you have over 200 1099-MISC forms, you cannot file the paper Copy A with IRS. They must be filed electronically. Call us ASAP if you will have to file 200+ forms.

New Sales Tax Deduction

In October, President Bush signed legislation allowing a sales tax deduction for 2004 and 2005 personal tax returns.

It's already January 2005. How can I figure my deduction for 2004?

IRS issued tables on December 17. They are included in the new Publication 600, available for download from www.irs.gov. See page 4 for a table of Texas Sales Tax, modified to include the 2% local sales tax of Denton and Dallas.

You have the choice of using the tables or adding up all of your receipts. I recommend using the tables. For example, a married couple with no children in Texas making \$95,000 a year are allowed a deduction of \$1312. At our 8.25% rate, that is the tax on \$15,904 of taxable purchases.

The table sounds great. Can I add anything to them?

You can add the sales tax for the following items to the table amounts: motor vehicles, aircraft, boats, mobile homes, and home building materials. The tax must be paid in the year you take the deduction.

Prior to 1986, I used to keep all my receipts. Do I have to do that now?

The deduction is only for 2004 and 2005. Unless you have a lot of furniture purchases, you may not want to keep up with receipts. If you claim the table amount, the only receipts you need to keep are for the additional items you buy, as discussed above.

Will this deduction save me any income tax?

Yes, if you are able to itemize your deductions on Schedule A. No, if you claim the standard deduction, the sales tax deduction will not help you. No, if you are paying any alternative minimum tax. Also, if you have any state income tax, you have the choice of taking the higher of state income tax or sales tax.

I have a business. Can I deduct the sales tax I paid for business expenses?

No, you can't deduct sales tax twice. However, if you are using your car partly for business, any sales tax

paid on repairs for the personal portion would count as a deduction on Schedule A.

Non-Cash Donations

IRS has always allowed donations of clothing and used material to charities. What they have questioned is the amount claimed.

There are several sources of information, worksheets, and even a computer program to help you determine the "fair market value" of the goods you donate to Goodwill, Salvation Army, and the people who pick up your items at the curb.

Intuit software sells a nifty program called "Its Deductible" for \$19.95. The program allows you to input the description of the merchandise and it then gives you prices based on what Ebay.com sells it for. You can get it at <http://www.shop.intuit.com>.

The Salvation Army's website maintains prices for used appliances, clothing, furniture, and dry goods at www.salvationarmyusa.org. From the home page, go to "My Help", "Donate", "Receipts", and finally "Valuation".

A downloadable worksheet is at www.taxguru.net/pdf/NonCash2003.pdf. It has columns that can be filled in along with price ranges that you can use. Note that it is one year old, and prices may have changed.

New for 2005, if you donate a vehicle to a charity and claim that it is worth more than \$500, you can only deduct what the charity sells it for. The charity is required to give you a receipt and that receipt must accompany your tax return when it is filed.

Tsunami Deduction Law signed 1/7/05

The new Congress just passed a law allowing anyone who donates cash to any charity for Tsunami relief in the month of January 2005 can elect to deduct the payment on either their 2004 or their 2005 tax return. If you only itemize in even numbered years, and you want to donate to Tsunami relief, then contribute by January 31, 2005. If you take the standard deduction for both 2004 and 2005, then this will not apply to you.

Standard Mileage Rates

Beginning January 1, 2005, the standard mileage rates for the use of a car (including vans, pickups, or panel trucks) will be:

- 40.5¢ a mile for all business miles driven, up from 37.5¢ a mile in 2004
- 15¢ a mile for medical or moving mileage, up from 14¢ a mile in 2004
- 14¢ a mile for charitable mileage

Starting in 2004, taxpayers who use no more than four vehicles at the same time for business purposes may use the standard mileage rate. Prior to 2004, taxpayers using more than one vehicle at a time could not use the standard mileage rate.

IRS Form 2848-Power of Attorney

When the IRS has a question about your tax return, their first inclination is to call you or send you a letter. With a Form 2848 on file, IRS will call us and/or send us a copy of any letters they send you.

The Form 2848 can include any years in the past, but only three years in the future. As a free service, we will prepare the forms for your signature and send them to you with the e-file authorization form. If, for any reason, you do not wish to sign Form 2848, just return it to us unsigned.

The Form 2848 allows us to get transcripts of your account on-line, allows us to get the status of your refund check, and as noted above, IRS will call us before they call you in the event of a problem. It does not allow IRS to send your refund check to us.

Tax Organizers and Appointments

Organizers and/or appointments were mailed Wednesday January 5, 2005. If you did not receive an organizer but would like one, please let us know. You may confirm your appointment anytime by calling the office at 940-566-2533 or 800-475-2533 or emailing beth@dentoncpa.com. If we have not heard from you by 14 days before your appointment, we will call you to confirm your appointment.

Important Dates

- 1/31/05: • Last day to mail or deliver W-2 and 1099 forms
- 2/28/05: • Form W-3 and 1096 must be postmarked to Government
 - Last day we will accept calendar year corporation data without filing an automatic extension or charging a higher fee
- 3/15/05: • Calendar year Corporation tax returns or automatic extensions due
- 3/31/05: • Last day we will accept individual or partnership data without filing an automatic extension or charging a higher fee
- 4/13/05: • Last day we will file an automatic extension for individual and partnership returns
 - Last day to drop off a check if you want us to mail an extension payment to IRS
- 4/15/05: • Individual Form 1040 returns due
 - Partnership Form 1065 returns due
 - Individual and partnership automatic extensions due
 - First estimated tax payment for 2005 due
 - Last day to mail 2004 payment with Form 1040-V to avoid ANY interest or late payment penalty
- 5/16/05: • Texas franchise tax returns due
 - Extension for Texas franchise tax due
- 6/15/05: • Second estimated tax payment for 2005 due
- 7/15/05: • Partnership tax returns that filed a first extension due
 - Second partnership extension due
- 7/29/05: • Last day we will accept data to prepare a Form 1040 without a 2nd extension or charging a higher fee
- 8/15/05: • Individual Form 1040 returns due who filed a first extension
 - Second Form 1040 extension due
- 9/15/05: • Third estimated tax payment for 2005 due
 - Calendar year Corporations who filed an extension due
- 9/30/05: • Last day we will accept data to prepare a Form 1040 without charging a higher fee
- 10/15/05: • Individual Form 1040 returns due if 2nd extension filed
 - Partnership Form 1065 returns due if 2nd extension filed
- 11/15/05: • Texas franchise tax returns due if an extension was filed
- 1/17/06: • Fourth estimated tax payment for 2005 due

2004 Optional State Sales Tax Tables

Income		Exemptions							Exemptions						
		1	2	3	4	5	Over 5	1	2	3	4	5	Over 5		
At least	But less than														
Income		Texas							Texas with 2% Included						
\$0	\$20,000	375	427	461	487	509	538	495	564	609	643	671	710		
20,000	30,000	488	555	599	633	660	697	644	733	791	835	871	921		
30,000	40,000	564	641	691	730	761	804	744	846	913	963	1004	1061		
40,000	50,000	629	714	770	812	847	895	830	943	1017	1072	1118	1181		
50,000	60,000	687	780	841	887	925	976	907	1030	1110	1171	1220	1289		
60,000	70,000	740	840	904	954	994	1049	977	1108	1194	1259	1312	1385		
70,000	80,000	789	895	964	1017	1059	1118	1042	1182	1273	1342	1398	1476		
80,000	90,000	834	945	1018	1073	1118	1180	1100	1248	1343	1416	1475	1557		
90,000	100,000	877	994	1070	1127	1174	1239	1157	1311	1412	1488	1550	1636		
100,000	120,000	933	1057	1138	1199	1249	1318	1232	1395	1502	1583	1648	1739		
120,000	140,000	1009	1142	1229	1294	1348	1422	1331	1507	1622	1709	1779	1877		
140,000	160,000	1076	1217	1309	1379	1436	1515	1420	1607	1728	1821	1896	1999		
160,000	180,000	1140	1289	1386	1460	1520	1603	1505	1702	1830	1927	2006	2116		
180,000	200,000	1200	1357	1459	1536	1599	1686	1584	1791	1925	2027	2111	2225		
200,000	or more	1467	1656	1779	1872	1948	2052	1937	2186	2348	2471	2571	2709		

Bob McCombs and Company
 Certified Public Accountants
 1013 N. Elm Street
 Denton, TX 76201-2938

(940) 566-2533 • (800) 475-2533

www.dentoncpa.com • bob@dentoncpa.com