

THIS MONTH:

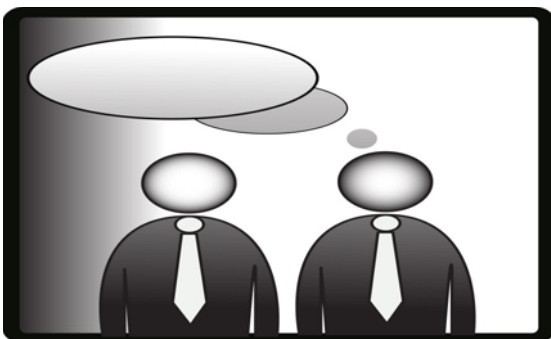
- ◆ FUTA Surtax is No Longer in Effect
- ◆ Summertime Child Care Expenses Credit
- ◆ Mileage Rate Increase
- ◆ Tips For Paying Estimated Taxes

FUTA Surtax is No Longer in Effect

As of July 1, 2011 the 0.2% federal unemployment tax (FUTA) surtax is no longer in effect. Thus, the FUTA tax rate, before consideration of state unemployment tax credits, is now 6.0%. The surtax has been in effect since 1976, when it was enacted by Congress on a temporary basis.

So what does this mean for employers?

Employers need to track FUTA taxable wages paid before July 1st and FUTA taxable wages paid after June 30th, since the FUTA tax rates differ during those two periods. Employers whose FUTA tax is more than \$500 for the calendar year need to make quarterly FUTA deposits. The July 31st payment is based on taxable wages earned through June 30th computed using the 6.2% FUTA tax rate. The following payment is due Oct. 31st computed using the 6.0% FUTA tax rate if legislation is not enacted to retroactively reinstate the FUTA surtax.



Summertime Child Care Expenses May Qualify for a Tax Credit

Did you know that your summer day care expenses may qualify for an income tax credit? Many parents who work, or are looking for work, must arrange for care of their children under 13 years of age during the school vacation. Those expenses may help you get a credit on next year's tax return.



Here are five facts the IRS wants you to know about a tax credit available for child care expenses. The Child and Dependent Care Credit is available for expenses incurred during the lazy hazy days of summer and throughout the rest of the year.

1. The cost of day camp may count as an expense towards the child and dependent care credit.
2. Expenses for overnight camps don't qualify.
3. If your childcare provider is a sitter at your home or a daycare facility outside the home, you'll get some tax benefit if you qualify for the credit.
4. The actual credit can be up to 35 percent of your qualifying expenses, depending upon your income.
5. You may use up to \$3,000 of the unreimbursed expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals to figure the credit.

For more information on Child and Dependent Care Expenses, contact your Padgett Office today.

Questions?

Contact Padgett Business Services East Bay

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Mileage Rate Increase

In recognition of recent gasoline price increases, the IRS made this special mileage rate adjustment for the final months of 2011. The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage. The new six-month rate for computing deductible medical or moving expenses will also increase. See the cents per mile rate chart below .

Rates 1/1 through 6/30/11

Business	51
Medical/Moving	19
Charitable	14

Rates 7/1 through 12/31/11

55.5
23.5
14



Tips For Paying Estimated Taxes

Estimated tax is a method used to pay tax on income that is not subject to withholding. You may need to pay estimated taxes during the year depending on your sources of income. For example, income from self-employment, interest, dividends, alimony, rent, gains from the sales of assets, prizes or awards, may require you pay estimated tax. For Sole Proprietors, Partners and S Corporation shareholders, you generally have to make estimated tax payments if you expect to owe \$1,000 or more in tax when you file your return

As a general rule, you must pay estimated taxes in 2011 if both of these statements apply:

You expect to owe at least \$1,000 in tax after subtracting your tax withholding (if you have any) and credits, and

You expect your withholding and credits to be less than the smaller of 90% of your 2011 taxes or 100% of the tax on your 2010 return.

To figure your estimated tax, include your expected gross income, taxable income, taxes, deductions and credits for the year on the worksheet for Form 1040ES, *Estimated Tax for Individuals*. The year is divided into four payment periods, or due dates, for estimated tax purposes. Those dates generally are April 15, June 15, Sept. 15 and Jan. 15. The easiest way to pay estimated taxes is electronically through the EFTPS, however; you can also pay estimated taxes by check or money order using the Estimated Tax Payment Voucher or by credit or debit card.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.