

# Leif Jensen and Associates

Newsletter

November, 2013

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## It happened in November:

The United States Marine Corps was created, 1775.

Sesame Street premiered on PBS television, 1969.

## Quick Links

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## Dates to Remember

- Veteran's Day
- Thanksgiving

## Dear Reader,

As CPA's we are committed to providing a full range of high quality professional services including: accounting, bookkeeping, consulting, payroll, management advisory services, income tax preparation, auditing and other attestation services. Our goal is to meet our client's expectations as their most trusted advisor.

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## W-9

It is that time of year again. Actually I am reminding every one a bit later this year than most. Now is the time to act on tax issues and year end planning. Businesses should be making sure that they have valid up to date W-9's for all of the Independent Contractors that are utilized. I am also talking about those whom you do businesses with beyond the mis-categorized employees you have.

To further assist I again have included the IRS definition of an Independent Contractor:

People such as doctors, dentists, veterinarians, lawyers, accountants, contractors, subcontractors, public stenographers, or auctioneers who are in an independent trade, business, or profession in which they offer their services to the general public are generally independent contractors. However, whether these people are independent contractors or employees depends on the facts in each case. The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. The earnings of a person who is working as an independent contractor are subject to Self-Employment Tax.

If you are an independent contractor, you are self-employed. To find out what your tax obligations are, visit the Self-Employed Tax Center. You are not an independent contractor if you perform services that can be controlled by an employer (what will be done and how it will be done). This applies even if you are given freedom of action. What matters is that the employer has the legal right to control the details of how the services are performed.

If an employer-employee relationship exists (regardless of what the relationship is called), you are not an independent contractor and your earnings are generally not subject to Medicare and Social Security Taxes for Self-Employed.

- Hanukkah

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## This Month's Featured Service

### QuickBooks Training

We conduct QuickBooks training seminars in-house or at client's offices. These seminars are structured to the client's specific needs. We are Certified QuickBooks Pro Advisors (2006 - 2013).

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## Withholding

The world is changing and you need to look at your withholding to make sure that you have yourself covered. If you believe that you will be hit by the 0.9% Medicare surtax on earned income, you need to consider increasing your withholding.

This new levy kicks in for singles and heads of household with earnings over \$200,000 and \$250,000 for married couples.

Your employers (your business) must begin to withhold the tax from worker paychecks in the pay period when wages first exceed \$200,000, regardless of the employee's marital status.

This can lead to underwithholding for a couple if each spouse earns less than \$200,000 but their combined wages total more than \$250,000. The same goes for an employee with a self-employed spouse if their combined earnings will exceed \$250,000.

You also need to be careful of the 3.8% Medicare surtax on investment income, which can nail singles with AGI above \$200,000 and couples over \$250,000 of AGI.

Having more income tax withheld from your Nov. and Dec. paychecks or IRA payouts can assist you avoid a potential penalty. You need to pay in all the tax you think you will owe.

As long as you prepay 90% of 2013's tax bill, you dodge the underpayment penalty or if the payments reach 100% of your tax liability for 2012; or 110% if your 2012 AGI topped \$150,000.

If you have questions please call our office for an appointment.

## Two Sides of the Same Government Entity

I know my clients received automatic correspondence from the IRS that I had to respond. If you like I had mailed correspondence to IRS during the shutdown; we are in for a long wait. The Service was swamped with inquiries. While the agency was closed, taxpayers sent in an estimated 400,000 letters, on top of the 1 million items already being processed.

Those letters, many of them responses to bills for extra taxes due, sat unopened during the shutdown. It will take a long time before the IRS gets a handle on things. Thus, it's likely that taxpayers who sent in documentation will keep getting notices from IRS.

So even though you have responded the other side of the IRS will continue to spit out computer generated letters demanding money that you already paid. I also recommend that you respond to every notice, it is the safe and conservative thing to do.

-Leif Jensen

## Featured Client



**Solutions for Care**, a non-profit 501C (3) social service organization founded in 1972, is uniquely qualified to serve a diverse adult community and the people who care for them. Working to find the resources that preserve independence and dignity, that lead to greater self-sufficiency and a higher quality of life.

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