



# UPDATE

Margaret McDeed, Editor

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## FUTA 0.2% SURTAX IS NO LONGER IN EFFECT

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Beginning July 1, 2011, the 0.2% federal unemployment tax (FUTA) surtax is no longer in effect. The FUTA tax rate before consideration of state unemployment tax credits is now 6.0%. Prior to the date, the FUTA tax rate before state unemployment tax credits was 6.2%.

So what does this mean for you? When all state unemployment payments have been made timely, a state unemployment tax credit of 5.4% is allowed for the calculation of FUTA tax, leaving a 0.8% (6.2% less 5.4%) effective FUTA tax rate for the period June 30, 2011 and prior. The effective FUTA tax rate due to the surtax expiration will now be 0.6% (6.0% less 5.4%). Additionally, employers will need to separately track FUTA taxable wages paid before July 1, and FUTA taxable wages paid after June 30, since the FUTA tax rates are different during those two periods. Employers with a FUTA tax liability of more than \$500 for the calendar year are required to make quarterly FUTA deposits. The quarterly payment due on August 1, 2011 is based on wages through June 30, so it will be computed using the 6.2% FUTA tax rate. However, the quarterly payment after that is due on October 31, 2011 and will be computed using the 6.0% FUTA tax rate, if legislation is not enacted to retroactively reinstate the FUTA surtax beginning July 1, 2011.

If the legislation is enacted and the rate is placed back at 6.2% after employers have made FUTA deposits based on the 6.0%, the IRS has said a mechanism will be put in place to make sure that employers are not assessed deposit penalties if it computed its unemployment tax deposit at a 6.0% rate. The IRS is working on revising Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, to take into account the elimination of the surtax. The return must be filed in January 2012.

Whether Congress will retroactively reinstate the surtax is an open question. On June 30, 2011, Ways and Means Committee Chairman, Dave Camp (R-MI), issued a press release applauding the fact that Republicans have refused to entertain an extension of this "temporary" tax on jobs beyond its current June 30, 2011 expiration date. No surtax extension legislation has surfaced yet in Congress, although a proposal in the President's fiscal year 2012 budget would keep the 0.2% FUTA surtax in effect on a permanent basis. Another budget proposal would raise the annual FUTA wage base from \$7,000 to \$15,000 per worker, beginning in 2014. Federal unemployment tax rates would be lowered, so employer's FUTA liability would not increase.

## DWIGHT DARBY & COMPANY SUCCESSFULLY COMPLETES PEER REVIEW

**John B. Brannan**

On June 22, 2011, the Florida Institute of Certified Public Accountants (FICPA) Peer Review Committee accepted the report on the most recent peer review of our firm. As a member of the American Institute of Certified Public Accountants (AICPA), Dwight Darby & Company's accounting and auditing practice is subject to peer review by an independent CPA firm every three years. The peer review ensures that the Firm's accounting and auditing procedures are in accordance with professional standards. By receiving a report with a peer review rating of pass (the highest rating), our firm has demonstrated that we have designed and complied with a system of quality control for our accounting and auditing practice that met the requirements of the quality control standards established by the AICPA.

It is very important to us to have an independent peer firm thoroughly review our accounting and auditing procedures and for them to have found it to be of very high quality. We will be glad to provide a copy of the report on the results of the review to you.

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## INCREASE IN TAXPAYER IDENTITY THEFT

**Christina Winters**

Taxpayer identity theft has increased drastically over the past 3 years. In 2008, there were 51,702 reported incidents compared to numbers reaching the 250,000 mark in 2010.

Identity thieves acquire an individual's social security number, along with a name, and files a return and receives a refund. Most fraudulent returns are filed early in the tax season, and then the correct individual files only to find out a refund has already been issued. In other cases, a person works under the stolen name and social security number and, when the correct individual files a return, they get a notice that not all income has been reported.

If the IRS received two returns, the taxpayer must supply federal or state issued identification, along with a police report and IRS Identity Theft Affidavit Form 14039. This form also marks the victim's account for future suspicious activity. The victim should go to [STOPFRAUD.gov](http://STOPFRAUD.gov), which gives steps to take for suspected identity fraud.

## WHO ARE WE AND WHERE DO WE COME FROM?

**Kathy K. Tushaus**

As my first article for the quarterly newsletter in which I am NOT the editor (congratulations to the new Editor, Margaret McDeed), I decided that it would be nice for you to get to know us a little better. By "us", I mean our people from the front office, accounting and tax staff, managers to the partners. I even learned a bit more about my employees by writing this article.

Most of us were not born in Florida; however, 3 of us were and have spent our entire lives here. We currently have 17 employees, so a native Floridian ratio of 18% is pretty high, I think.

Most all of us were born in the north and moved to Florida in our early years. Two of us come from west of the Mason/Dixon line.

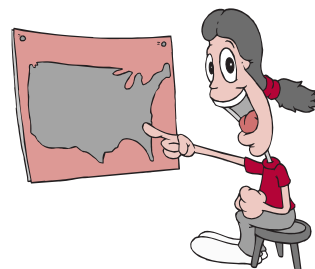
We hail from:

- ◆ 2 from New Jersey, but moved to Florida at an early age
- ◆ 1 from Ohio, but moved to Lakeland at the age of 4.
- ◆ 1 from Pennsylvania, but moved to Tampa at the age of 9
- ◆ 1 from Mississippi then moved to Tampa at the age of 12
- ◆ 1 from Delaware then moved to Florida at the age of 12

Others moved to Florida later in life from Illinois, New York, Kansas, Wisconsin and Virginia.

We represent 12 states! That is a very diversified office with only 17 employees. Maybe we should have a contest to see how many of us you can match with our state. I can't think of hearing any accents in the hallways, so I bet it would be hard for you.

Next time you phone or email one of us, feel free to strike up a conversation and you might find out that one of us is from your neck of the woods.



## MLB CONSIDERING REALIGNMENT PLAN

**Dave Bove**

As you may be aware, there were rumors reported in early June that Major League Baseball has had extensive discussions regarding potential realignment in the near future.

One ESPN source reported that MLB and the MLB Players Association have discussed moving a National League (NL) team to the American League (AL) to have two 15-team leagues.

Amongst the considerations is having three 5-team divisions per league or no divisions at all in an effort to remove the current unbalanced schedule that gives some teams an unfair advantage based on their opponents and frequency of playing them.

The 15-team no division format would have five teams make the playoffs per league with the top three seeds in each league presumably receiving a bye into the second round of the playoffs.

If MLB were to realign with three 5-team divisions per league, then an NL Central team would need to move to the AL West as the NL Central currently has six teams and the AL West only has four.

Personally, I would rather see MLB go with a 15-team no division format with five teams from each league making the playoffs. Under the current format, only the three division winners and a wild-card team from each league make the playoffs. Having an additional team from each league making the playoffs would be a great idea. It frustrates me when I see a particular team play 162 games in a season and miss making the playoffs by one game.

This format would allow the teams in each 15-team divisions to play a closer amount of games against each other compared to how many they currently play under the existing system. To me, this new format would result in more worthy teams making the playoffs. I have seen many times in previous years, whereby a team won their division with record of 83-79 and a team in another division missed the playoffs with a 90-72 record. Some would argue, though, that this new format would cause teams to travel to further destinations more frequently, especially those out west. Others would argue that it will diminish rivalries that have been established among teams.

Having a 15-team no division format would also be a blessing to the Tampa Bay Rays. They would no longer be stuck in the AL East division having to compete against the mighty Yankees and Red Sox every year. The new format would reduce the number of games they currently play against these two teams and give the Rays a greater chance of making the playoffs.

## SIT UP STRAIGHT!

**Cherilyn Herzhauser**

How many times did you have to hear that growing up? As annoying and nagging as it may have felt, this is very important advice. Between sitting at your desk, commuting to work, and catching up on your nightly TV addictions, people sure do spend a lot of time sitting! Forming good posture habits can prevent painful and expensive back problems down the road. Good posture will give you a more confident look and can also make you look thinner.

Prolonged slouching forward leads to postural imbalance. This often results in tight front muscles, lengthened weak back muscles and soft tissue. This puts you at risk for disc injury, shoulder impingement, headaches, and permanent poor posture as your bones accommodate.

While the common saying is "sit up straight", we, of course, don't mean a perfect straight line. Your spine has natural curves in it and you should stand in a natural upright position. Think more about "elongating" your spine, sitting up tall as if a string were attached to the top of your head pulling you up toward the ceiling.

Here's the tricky part. Even if you sit perfectly, your back still needs movement for nutrition of oxygen and blood flow. Tips for movement are to try to stand up or take a short walk every 30 minutes. Stand while you are talking on the phone or arrange your office with some supplies across the room so you will have to get up. While watching TV at night, vary your position between sitting, lying, and reclining. Walk in place during commercials.

Practicing good posture will become more natural over time due to muscle memory, and your back will thank you later in life.

Have you been reading this newsletter for 30 minutes? Time to stretch or stand up!



## CASH REPORTING REMINDER FORM 8300

Bill Dennison

The filing of Form 8300 for the reporting of cash transactions should not be overlooked. Even with all the new regulations for privacy notices and credit disclosure requirements, you need to be sure Form 8300 compliance is in place. Not doing so can cause you an enormous amount of grief and large amounts of money. The level of audits from the Internal Revenue Service regarding Form 8300 has recently increased.

Reportable transactions do not just include cash. They also include cashier's checks, traveler's checks, money orders and bank drafts of \$10,000 or less. Any of these instruments that, when added to any cash received, total up to more than \$10,000 make it a reportable transaction.

In the computation of a reportable transaction, items such as personal or business checks and credit cards are never considered to be cash because they are easily traced. All cash received on a transaction, even if received in several payments, is to be bulked together for reporting purposes. Form 8300 must also be filed, if there is a suspicion of possible illegal activity or if a person attempts to have you not file the form or file it with inaccurate information.

The best way to safeguard your business against problems is to educate your employees. Make them aware of the criminal penalties against anyone advising how to avoid filing. They should be instructed not to have any conversation on the subject and refer the person to a designated manager to deal with the questions. Training should be performed on a regular basis so all new personnel know their responsibilities in this area. Be sure that your employee manual includes a written policy statement that all employees sign.

Regular self-audits will also help you maintain peace of mind. The form must be filed within 15 days of the transaction, and a notice must be sent to the customer no later than the following January 31st, stating that the form was filed and what was included on it. Remember that the failure to file Form 8300, if found to be intentional, can result in fines up to \$25,000 per required filing.



## SUMMER CLEANING..... FINANCIALLY THAT IS

Dawn M. Lopez

As I see it, no one in their right mind enjoys taking time from lounging by the pool to clean their house, much less taking time to clean up or assess their financial plans. So hire someone to do it!

As indicated in Kiplinger's August 2011 Personal Finance magazine, financial planning is often perceived as a service reserved for the wealthy, which is understandable. But those of us who belong in the other sector need guidance as well. However, some financial advisors require ever-increasing minimum asset requirements. With a little research and leg-work, you too can find the right advisor/planner.

Before you search for an advisor/planner make a list of (1) assets (investments, savings, checking, retirement plans, college plans, home(s)); (2) insurance policies that you carry and their amounts of coverage and cost and (3) pull your latest credit report and important documents such as a will, living will, etc. Keep this list and/or copies of those documents in a file that can easily be pulled out for yearly assessment and/or comparison shopping.

Then the next step is to find the right advisor. Below are the different credentials you will hear about.

**CFP - Certified Financial Planner** - can help you with your whole financial picture

**CFA - Certified Financial Analyst** - expertise in investing

**ChFC - Chartered Financial Consultant** - training in insurance and estate planning

**PFS - Personal Financial Specialist** - a certified public accountant that specializes in personal finances

Investing advice is an important part of financial planning and, therefore, you want someone with at least five years of experience, is licensed to represent a wide variety of investment and insurance products and make sure your advisor uses a third-party custodian. In some instances, you may want to just pay for the advice and invest elsewhere.

Kiplinger's suggest the following sources:

- ◆ Garrett Planning Network ([www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com)) Good choice for that occasional checkup.
- ◆ SMART 401K ([www.smart401k.com](http://www.smart401k.com)) Good for long-term investors who don't have access to investment advice.

So what are you waiting for? Go ahead and hire someone to assess your financial health and clean your house.

## IRS INCREASES MILEAGE RATE TO 55.5 CENTS PER MILE

**Dawn M. Lopez**

The IRS announced on June 23, 2011, an increase in the optional standard mileage rates for the final six months of 2011. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business and other purposes.

The rate will increase to 55.5 cents a mile for all business miles driven from July 1, 2011 through December 31, 2011. This is an increase of 4.5 cents from the 51 cent rate in effect for the first six months of 2011.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2011. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"This year's increased gas prices are having a major impact on individual Americans. The IRS is adjusting the standard mileage rates to better reflect the recent increase in gas prices," said IRS Commissioner Doug Shulman. "We are taking this step so the reimbursement rate will be fair to taxpayers."

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional 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 by 4.5 cents to 23.5 cents a mile, up from 19 cents for the first six months of 2011. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

## REVOCATION OF TAX-EXEMPT STATUS FOR NOT-FOR-PROFITS

**Susan Ghaly**

Most tax-exempt organizations are required to file an annual information return or notice with the IRS. This became law with the passage of the Pension Protection Act (PPA) in 2006. The filing requirements became effective in 2007. The law automatically revokes the tax-exempt status of any organization that does not file the required documents for three consecutive years.

On June 8, 2011, the IRS announced that approximately 275,000 organizations have automatically lost their tax-exempt status due to non-compliance for years 2007, 2008 and 2009. A list of revoked organizations is available at [www.IRS.gov](http://www.IRS.gov). The list is searchable by state and will be updated monthly.

The IRS believes that the majority of the revoked tax-exempt organizations are no longer in existence and are properly removed from the tax-exempt listing. However, for those organizations still in operation, the IRS also announced special steps by which they can apply for reinstatement of the tax-exempt status. Instructions and applications are available on the IRS website. We are available to assist, if needed.

Charitable contributions and donations made prior to the publication of an organization's name on the revocation list remain tax-deductible. In the future, however, organizations that are on the revocation list that do not receive reinstatement will no longer be eligible to receive tax-deductible contributions and any income they receive may be taxable.

All donors whether they be corporate or individual, should be aware of the implications of this. It would be wise to check Publication 78 (also on the IRS website) prior to making any sizeable contribution. Publication 78 is a list of organizations eligible to receive tax-deductible charitable contributions. The IRS updates this publication from time to time.



## CLOSING ENTRIES



## ANNIVERSARIES

The following Dwight Darby & Company employment anniversaries have occurred since our last newsletter:

- Wayne Bond** - 44 years in May
- Brad Tushaus** - 35 years in June
- John Brannan** - 32 years in August
- Dawn Lopez** - 18 years in August
- Pat Mercer** - 13 years in June
- Susan Ghaly** - 7 years in August
- Christina Winters** - 5 years in August

## KUDOS

Join us in congratulating John Brannan for serving on the FICPA Peer Review Committee again for 2011-12 and Kathy Tushaus for another term on the FICPA CIRA Committee.

## NEWEST ADDITION TO THE "FAMILY"

We would like to welcome Layla Jones Winters to the family. Layla was born 8 lbs 6 oz and 21½ inches on August 8th to Christina and Bobby Winters. Christina was a trooper through her pregnancy while working at the Firm. This is their second daughter, so congratulations to all of you!

## SPEAKING ENGAGEMENTS

In June, Margaret McDeed, Senior, was a guest speaker at the University of South Florida, St. Petersburg campus for Dr. Katherine Barker's Auditing class. The presentation included information useful for students getting ready to graduate with their new accounting degree.

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**This newsletter is published for our clients and other interested persons. Since this information may be of a technical nature, no final decision should be made without first consulting our office.**

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