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Another New Year is upon us and as in the past we want to keep you up to date as we enter 2018 and make you aware of the tax changes. We are providing you with some basic payroll reporting and bookkeeping suggestions. The staff is available during our regular office hours of 8:00 am to 4:30 pm, if you have any questions.

### **Tax Rates**

- The Employer's Social Security tax rate will remain at **6.2%** for 2018 with a wage base of **\$128,400**. **The Employee's share remains at 6.2%**
- The Medicare tax rate will remain at **1.45%**. Reminder, there is no limit on wages paid of the Medicare portion. This tax is due on every dollar of compensation. The FUTA tax rate for **2018 remains at 6% (.006)** of the first \$ **7,000** of wages paid.
- The SUTA (State Unemployment Tax Act) base is **\$14,000** and the rate is determined by your history. In 2018 you will be able to file your Employee Tax and wage report online and make payments electronically.
- The Self-Employment tax rate remains at **15.3%** in **2018** and the wage base of **the Social Security portion of this is \$128,400 and then 2.9% on the net income in excess of \$128,400**.

### **Standard Mileage Rates for 2017 & 2018**

Business	53.5 cents per mile	54.5
Medical / Moving	17.0 cents per mile	18.
Charitable	14.0 cents per mile	14.

When using the standard mileage rate, be sure to keep track of parking fees and tolls. They represent an additional deduction

If you are self-employed and take a car loan to buy a vehicle for use in your business, the loan interest is deductible to the extent of the business use. An employee's auto loan is nondeductible even if the car is used for business.

Remember, you have the option of keeping track and using standard mileage rates **OR** depreciating your vehicle and using the actual expenses: Tires, gas, oil changes, insurance, registration, repairs and maintenance.

### **Reminders**

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#### **Payroll**

- ❑ Before any W-2's, 941's 940's or state unemployment tax forms are mailed to the various recipients, please be sure that they reconcile. All four Quarters of the 941's

and state unemployment returns should tie out with gross wages, withholding, Social Security and Medicare wages reported on the W-2's, W-3 and 940. If you have any questions about this, please call the office.

- ❑ Personal use of business owned autos by employees must be added to W-2's for the year as well as leased vehicles. This must be included in Box 1 of W-2 and then shown in Box 12 as "employee use of vehicle". This must be added to gross wages on the 941 for the fourth quarter and the 940 for 2017. There are severe penalties for not complying with these provisions. Contact us if you need assistance on this.
- ❑ Reasonable wages paid to your child for bona fide services are deductible against your business income. In addition to income-tax savings, employing your child can result in savings on self-employment taxes if you are self-employed. Until your child reaches age 18, there won't be a liability for FICA (Social Security and Medicare) tax with respect to the wage you pay your child. As for your child's income taxes, the standard deduction is available to offset up to \$6,350 of your child's earning in 2017.

### **Bookkeeping**

- ❑ Reconcile all cash accounts to December 31<sup>st</sup> statements. If the bank does not cut off your statement at the end of the month, please request a month end statement for December.
- ❑ Request or obtain copies of all loans documentation and their balances as of December 31<sup>st</sup>. We are finding more banks are requiring certain financial ratios be adhered to and a copy of the document will alert us to this requirement.
- ❑ Remember to send 1099's to any unincorporated person to whom you made payments in the course of your trade or business totaling \$600 or more in SERVICES in a calendar year and such payments are not subject to withholding tax and are not reported on a W-2. (Examples of 1099's that must be sent are to lessors for rent payments, subcontractors, unincorporated professionals, accountants, lawyers, snow plowing, landscaping, and cleaning services.) Even if the arrangement is between a business and its owner, a 1099 is required. We have the forms and can assist in filing them.  
This is still a very hot area with the Internal Revenue Service. Their point of view is that the party paying the monies out is responsible to report the income and the recipient is obligated to pay taxes on the monies.
- ❑ Remember to take an inventory count at year-end. Values should be at COST, not market value.
- ❑ Review your repairs and maintenance items to determine if there is any need to capitalize. Prepare or review a list of Capital additions for your business and copy the applicable invoices.
- ❑ Prior to December 31<sup>st</sup>, try to reimburse all out of pocket costs to business owners with a business check.
- ❑ If you paid an unincorporated entity INTEREST of more than \$10.00, a 1099-INT must be issued to them. We can provide forms or prepare them for you.
- ❑ You can deduct no more than \$25 for business gifts you give directly or indirectly to each person during your tax year to include employees, customers, clients and vendors.