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Welcome to the Winter Issue of *Financial Check-Up*



In this issue of *Financial Check-Up*, Shanna Morales discusses information regarding the Payroll tax cut extension recently passed by Congress. Please make sure that your payroll service or your accountant has acted to implement the tax cut for you with your staff wages and salaries. If not, we can help. She has also listed some important 2012 tax amounts for every doctor to know. It is always best to start the new year with these key amounts in mind.

If you have questions on other 2012 amounts or limitations, please give us a call.

Bo Elliot

Payroll Tax Cut Extension

By Shanna Morales, CPA, Senior Tax Manager



At the eleventh hour, Congress approved a two-month extension of the employee-side payroll tax cut in the Temporary Payroll Tax Cut Continuation Act of 2011. This extension, for January and February 2012, is intended to give lawmakers additional time to negotiate a full-year extension of the payroll tax cut through the end of 2012.

OASDI tax rate. Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program and Medicare's Hospital Insurance (HI) program are financed primarily by employment taxes. Prior to 2011, the OASDI tax rate was 6.2 percent for employees and employers, each; and the OASDI tax rate for self-employment income was 12.4 percent.

OASDI limits the amount of earnings subject to taxation for a given year. This limit changes each year with changes in the national average wage index. For 2011, the OASDI wage base was \$106,800. The OASDI wage base is \$110,100 for 2012. There is no limitation on HI-taxable earnings.

2011 temporary reduction. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reduced, for wages and salaries paid in 2011 and self-employment income in 2011, the OASDI tax by two percentage points, applied to the portion of the tax paid by the employee and the self-employed individual (4.2 percent and 10.4 percent, respectively). The employee-side payroll tax cut under the 2010 Tax Relief Act was scheduled to expire after December 31, 2011.

Two-month extension. On December 23, 2011, Congress approved and President Obama signed a two-month extension of the employee-side payroll tax cut. The Temporary Payroll Tax Cut Continuation Act of 2011 extends the two percentage point employee-side payroll tax cut through the end of February 2012.

Recapture. Shortly after President Obama signed the Temporary Payroll Tax Cut Continuation Act, the IRS explained that the new law includes a recapture provision, which applies to individuals who receive more than \$18,350 during the two-month extension period. The OASDI wage base for 2012 is \$110,100, and \$18,350 represents two-months of the full-year amount. The recapture tax would be payable in 2013 when the employee files his or her income tax return for the 2012 tax year. The House Ways and Means Committee reported that the recapture provision will only apply if the payroll tax reduction is not extended for the remainder of 2012.

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Upcoming Events

Resort Seminars:

St. Thomas, February 20-24, 2012

About us:

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- Accounting services
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- Entity structure planning

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Implementation. The IRS instructed employers to implement the reduced payroll tax rate as soon as possible in 2012 but no later than January 31, 2012. For any Social Security tax over-withheld during January, employers should make an offsetting adjustment in employees' pay as soon as possible but no later than March 31, 2012, the IRS advised.

If you have questions about the two-month extension of the payroll tax cut, please contact our office at 704.808.5232.

2012 Key Amounts

Standard Deduction

Single	\$5,950
Head of Household	\$8,700
Married Filing Jointly	\$11,900
Married Filing Separately	\$5,950

Personal Exemption

\$3,800

Retirement Plan Contribution limits

Participant Contributions to 401k plans are limited to \$50,000 total with elective deferrals, matching contributions, nonelective contributions and allocations of forfeitures (\$55,500 to include the catch up amounts for participants over 50). The amount of compensation that can be used when determining contributions is limited to \$250,000 for 2012.

401k Deferral Limits increases to \$17,000 with catch-up contributions of \$5,500 for participants over 50 at the end of the calendar year.

SIMPLE deferral remains at \$11,500 with the catch up contributions of \$2,500 for individuals over 50 at the end of the calendar year.

Traditional IRA and Roth IRA contribution limits remain at \$5,000 or \$6,000 if you are over 50 at the end of the calendar year.

Mileage reimbursement rates

Business mileage	55.5 cents per mile
Medical or moving mileage	23 cents per mile
Charitable mileage	14 cents per mile