



Subject: NEW YEAR'S PAYROLL RESOLUTIONS

Your 2011 New Year's resolutions could include any of the following compensation/fringe benefit decisions:

- ✓ If you are an "S" corporation or a "LLC" which has elected "S" corporation tax status, carefully evaluate and establish "reasonable compensation" amounts for 2011 for the employee-owners of your Company. **Establishing "reasonable" owners' compensation amounts can save you thousands of dollars every year in FICA and Medicare taxes.**
- ✓ There are many different types of tax-favored retirement plans, and the laws pertaining to retirement plans constantly change. **Make sure your retirement plan is the best match to your organization's objectives** (if not, amend or terminate the plan and replace it with the retirement plan which best fits your objectives). Also consider the pros/cons of adding a "Roth option" to your plan.
- ✓ Make a list of fringe benefits and expense reimbursements you pay to or on behalf of your employees. **Consider using written Section 125 cafeteria and accountable expense reimbursement plans to save taxes for both the employee and employer.**
- ✓ **Make sure you accurately classify workers as employees or independent contractors.** Harsh penalties can result from incorrectly paying an employee "off the payroll" as "casual labor".
- ✓ With unemployment taxes on the rise, make 2011 the year in which you will actively monitor/manage employee benefit claims in order to keep your tax rate as low as possible.
- ✓ If you currently operate as a sole proprietorship or general partnership, give serious consideration to forming a "limited liability company" or a corporation for both asset protection and tax planning purposes.
- ✓ If you hire lower-income employees, make 2011 the year in which you determine if they qualify for Federal "work opportunity tax credits", which can save you thousands of dollars annually in income taxes; and

- ✓ Consider setting up a “no cost” payroll deduction Indiana College Choice 529 education program which will help employees save for college in a disciplined and tax-wise manner.

AccuPay’s teams of Certified Payroll Professionals and CPA Advisors would be pleased to assist you and your accountant with any of the above compensation tax planning strategies! Simply call us at 885-7600.

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.