



## **FOR EMPLOYERS' EYES**

### ***NEW TIP REPORTING PROGRAM ANNOUNCED BY IRS***

The Internal Revenue Service has released formal guidelines for its new tip reporting procedure called the **Attributed Tip Income Program (ATIP)**.

**ATIP** will expand the existing IRS tip reporting and education program by offering employers in the food and beverage industry another tip reporting program. It will reduce the burden of record keeping and has simple enrollment requirements. It encourages the reporting of tips on Federal income tax returns.

**ATIP** does not require employers to meet with the IRS to determine tip rates or eligibility. No agreement is required with the IRS to participate. Participation is strictly voluntary.

In **ATIP**, tip reporting is based on a formula that uses a percentage of gross receipts, which are generally attributed among employees based on the practices of the restaurant.

#### ***Benefits received by employers are significant:***

- An "employer-only" 3121(q) examination will not be initiated by the IRS during the period of participation in **ATIP**.
- **ATIP** will simplify tip reporting and in many cases employers will not have to receive and process tip records from participating employees.
- There are no meetings or agreements to sign and enrollment is simple. On the **Form 8027**, employers elect to participate in **ATIP** by checking the designated box, called **Employer's Annual Information Return of Tip Income and Allocated Tips**.

#### ***Benefits received by employees are:***

- A daily tip log or other tip records are not necessary.
- During the participation period in **ATIP** the IRS will not initiate a tip examination.
- Qualifying for loans and other financing will be more helpful because of the improved income reporting procedures.

Employees can easily elect to participate in **ATIP** with their participating employer by signing an agreement to have their tip income computed under the program and reported as wages.

For food & beverage employers, **ATIP** is a three-year pilot program. Employers will participate on an annual basis. The first annual basis begins January 1, 2007.

Details and requirements for participation for both employers and employees are available in **Revenue Procedure 2006-30**.

This procedure is posted at [www.irs.gov](http://www.irs.gov) keyword **rev pro 2006-30**

### ***Social Security Administration releases 2006 Accu Wage Software***

The (SSA) Social Security Administration will make it's 2006 **Accu Wage** software available for download on August 7, 2006. This software is designed to test current and prior year wage reports prepared in the Magnetic Media Reporting and Electronic Filing (MMREF) formats. Employers with this software can check W-2 forms for correctness before the forms are sent to the Social Security Administration. **Acc Wage** is also valuable to software developers to use as a tool towards their validation process for their wage reporting (W-2).

Go to: <http://www.ssa.gov/employer/accuwage>

*For more information*

## **FOR INDIVIDUALS**

### ***The IRS is Launching Online Payment Agreement Application***

A new system is being launched that will allow many individuals who owe delinquent federal taxes to apply online for a payment agreement.

The new **Online Payment Agreement (OPA)** implemented by the IRS is being used by tax professional organizations applying for payment agreements for clients owing taxes. This application eliminates the need to write or call the IRS toll-free number for assistance.

**OPA** when fully implemented will provide an easier way for taxpayers on their own or with the help of their tax professional to resolve tax liabilities.

With the convenience of online service during extended hours & weekends, taxpayers can set up an agreement and arrange payment options including automatic payments through direct debit or payroll deduction.

The application will be available to the general public later this year.

### ***New Law expands IRA Options for the Military***

Members of the military serving in Iraq, Afghanistan and other combat areas can now put money into an individual retirement account, even if they received tax-free combat pay. Many can still contribute for 2004 and 2005.

Under the **HERO Act (Heroes Earned Retirement Opportunities)** which was signed into law on Memorial Day, taxpayers can now count tax-free combat pay when determining whether they qualify to contribute to either a Roth or traditional IRA.

According to the Internal Revenue Service, "The HERO act is one more way to let our fighting forces in combat areas know that we support them."

Before this change, military members whose earnings came entirely from tax-free combat pay were generally barred from using IRAs to save for retirement.

The HERO act also allows military personnel who received tax-free combat pay in either 2004 or 2005 to go back and make IRA contributions for those years. Eligible members of the military will have until May 28, 2009 to make these special back-year contributions.

The IRA contribution limit for those under the age of 50 in 2004 was \$3,000 and \$4,000 for 2005. The limit was \$3,500 in 2004 for those 50 and over and \$4,500 for 2005.

Income limits & other special rules apply, but taxpayers choosing to put money into a Roth IRA don't need to report these contributions on their individual tax return. Roth contributions are not deductible, but distributions, usually after retirement, are normally tax-free.

Contributions to a traditional IRA are often, though not always, deductible and distributions are generally taxable.

Deductible or not, contributions to a traditional IRA must be reported on the return for the year made. Deductible contributions are claimed on form 1040, 1040A or 1040NR.

Non deductible contributions are reported on Form 8606, which is normally attached to one of these individual return forms.

Use amended return form 1040X if a return has already been filed for a particular year. Contributions can be reported on the amended return.

Some military personnel who choose to put money into a traditional IRA for 2004 or 2005 may qualify for additional tax refunds.

The IRA contribution limit for 2006 for those under 50 is \$4,000 and those 50 and over is \$5,000

### Accounting Humor

The company owner is dying and calls in his lawyer and his accountant.

The owner says: "I'm dying and I want to take my money with me. At my funeral put these envelopes in my coffin".

At the funeral, the lawyer and the accountant put the envelopes in the coffin on the way home the lawyer felt bad and told the accountant that he had opened the envelope, found \$100,000 cash and took out \$50,000. The lawyer justified that as his fee

but felt bad. The accountant responded: "How could you

disregard a dying man's wish?



How could you charge a 50% fee? You should be ashamed!"

The lawyer asked: "What did you do? You gave him all of his money?"

The accountant replied: "Yes, I gave him all of his money, but I left a personal check for the full amount."

### QUICKBOOKS CORNER

#### *Entering credit card charges*

While credit card charges may be coded to various expense accounts when the statement from the credit card company is paid, this method will only work easily if the statement balance is paid in full. The more preferable way of entering charges is to enter each of the charges from the statement or as the charge receipts are turned in. From the **Banking** menu, choose **Enter Credit Card Charges**. Enter the date the charge was made (this makes for more accurate reports on your business). If you use generic names like Restaurant, Gas, Hotel, etc. as vendor names for the charges, you will not need to set up a new vendor for each charge. When the credit card statement is received, from the **Banking** menu, choose **Reconcile**, and then choose the credit card account. After reconciling, you will be able to write a check to pay all or part of the credit card statement.

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