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December 22, 2009

Dear Client:

It is that time, once again to go over the types of items that are needed for us to complete your books or tax return for 2009. The following is a generalized checklist. Some items may not be applicable to your business:

1. Please review your enclosed depreciation schedule from last year's tax return and mark off any items that you no longer have. Please indicate the date that the item was either sold or junked. If sold, list for how much. **Remember, it costs you more for unsecured property taxes when you don't delete items from your depreciation schedule that have been sold or scrapped.**
2. Physical inventory of merchandise on hand at 12/31/09, at cost. This is very important and should be as accurate as possible. You should schedule this inventory as close to year-end as possible. If you plan on doing your inventory at a date other than year-end please let us know.
3. A list of all uncollectible accounts receivable (Bad Debts), at 12/31/09.
4. For Subchapter S Corporations, a list of officers and shareholders, the amount of health and life insurance premiums paid for each officer and automobile mileage for 2009. Accident and health insurance premiums are reported as additional compensation to the shareholders and are added to box 1 (Wages) and box 16 (State wages) of the W-2 as additional wages. However, this is not added to box 3 (Social security wages) or box 5 (Medicare wages).
5. For outstanding loans and notes payable, a 12/31/09 balance owed preferably verified by the bank or other creditor. Usually the bank will send a year end statement.
6. An accurate list of accounts receivable and accounts payable as of 12/31/09.
7. A list of all outstanding employee advances as of 12/31/09. Salary advances are subject to all withholdings at the time the advance is paid, not when it is deducted from future earnings (wage payments).

8. A list of any outstanding lines of credit, including maximum amount available, interest rate and due date at 12/31/09.
9. Please detail for us any business credit card charges unpaid at 12/31/09. (Provide detailed December statements, breakdown of charges).
10. Copies of any new long-term leases, notes or contracts payable you have entered into during the year.
11. Cash on hand – undeposited receipts.
12. Unreimbursed proprietor, partner or shareholder expenses.

Please remember that our ability to complete your year-end books and or tax return is dependent upon the above information.

13. For 2010 the minimum wage is **\$8.00** per hour in California. (Labor Code) 1182.12. Federal minimum wage is \$7.25 per hour.
14. Be sure that we have social security numbers and addresses for all employees and persons who we'll need to send W-2's and or 1099's. You'll need to send 1099's to anyone who has performed services for you and you have paid **\$600 or more**, and if you have paid business interest to non-financial entities of **\$10 or more**. Please have anyone who is performing services for you fill out a Form W-9. Remember, businesses and government entities that are required to file a federal Form 1099-MISC for services performed by an independent contractor must also report specific information to EDD (**Form DE-542**). This information must be filed with EDD within 20 days of either entering into a contract with an independent contractor for **\$600 or more**, or making payments totaling **\$600 or more** in any calendar year, whichever is earlier.

It is **not** necessary for businesses to file a **Form DE-542** to report payments to the following types of entities: corporations, general partnerships, or limited liability companies. In general, businesses are required to report independent contractors that are sole-proprietors.

15. Hiring of new employees - you must ask each new employee to complete Form W-4, Employee's Withholding Allowance Certificate and Form I-9, Employment Eligibility Verification. **You should look at the employee's social security card to make sure that the W-4 and I-9 match what is on the employee's social security card. You should have your employee's fill out a new W-4 at the beginning of each new year if they are claiming exempt, or any time they have a financial or personal change.** Be sure you let us know when you hire a new employee or you rehire an employee. State law requires you to report, with names and social security numbers to the State Employment Development

Department, (Form DE-34) within 20 days of start of work.

When taking deductions other than federal and state required taxes, you need to get written authorization signed by the employee to deduct it out of his/her paycheck. This is for your protection.

When you terminate an employee you must give them their paycheck immediately. If an employee quits you have 72 hours to give them their paycheck.

16. Overtime is paid on anything over 8 hours worked in a day and/or anything over 40 hours worked in a workweek.

17. Employment tax wage base for 2010.

1) Social Security Wage:

- a. Taxable wage base - \$106,800
- b. Social Security rate – 6.2% (.062) - The maximum Social Security Tax withheld for 2010 is \$6,621.00

2) Medicare Wage:

- a. No limit on amount of wages subject to Medicare Tax
- b. Medicare rate – 1.45% (.0145)

3) State wage:

- a. SDI taxable wage base - \$93,316 – The maximum SDI tax withheld for 2010 is \$1,026.48.
- b. SDI rate – 1.1% (.011) you should have received a notice from EDD (Form 2088) notifying you of your new Unemployment and ETT rates for 2010.
- c. UI and ETT – Taxable wage limit is \$7000 per employee per calendar year.
- d. New Employers – Your UI tax rate is 3.4% for up to three years. If you purchased an established business, you have the option of acquiring the previous owner's UI tax rate.

18. Sales Tax – Is currently 8.25% in Lassen County.

19. Make sure that you have the most **current employer posters posted as required by California Law**, filled out with appropriate information. You may get these posters by contacting California Chamber of Commerce 1-800-331-8877 or visiting their website (<http://calchamber.com/products>).
20. Be sure you have notified employees of changes to pension plans and increased deferral limits for 2010.
21. Reimbursing employees for auto mileage, starting January 1, 2010 is \$.50 cents per mile.
22. All employers should make sure that they have an up-to-date Employee Handbook, and have each employee sign off that they have read it. **If you don't have an Employee Handbook, Haws, Theobald & Auman, PC can help you prepare one.**
23. For any vehicles used for business, write down the odometer reading for year end and make sure your mileage logs are up to date.
24. Keep in mind that all bonuses paid to employees should be included in payroll, they are taxable wages.
25. Sales Tax – new registration and reporting requirements for certain purchasers. Assembly Bill x4-18, which requires a “qualified purchaser” to register with the Board of Equalization (BOE) and report and pay use tax directly to the BOE. Under this section, a “qualified purchaser” includes businesses with at least \$100,000 in annual gross receipts from business operations. You can go to State Board of Equalization's website www.boe.ca.gov and access Form BOE-404-A Use Tax Registration.
26. It has come to our attention that the IRS is stepping up its efforts to audit companies 1099's to ensure that they are complete and accurate. Some of these audits are being conducted on a “surprise” basis.

For our Year End Write Up Letter, please visit our website at: www.mycpas.biz

Please call if you have any questions. Happy New Year!

Haws, Theobald and Auman, PC