

December, 2011



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Appleton Office

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Mon., Wed., Fri. 8-4
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Dear Tax Client,

It's my pleasure to announce that this year, 2012, marks my 40th year doing taxes and accounting in Ripon & the surrounding area. I've enjoyed meeting all of you and I love doing taxes. I expect to be here many more years.

Back in 1972, all returns were done by hand, in pencil, with a good eraser handy. I got my first computer in 1984, at which time my daughter Jillian (then age 6) had to show me how to turn it on. She's still with me today promoting the modern way of doing things.

I learned the business from my dad **Victor**, who managed several offices in the Fox Valley and around the state. My mother **Harriet** was always his secretary, having perfect penmanship, excellent typing skills and a friendly smile and voice for all who stopped by.

I began working as a receptionist around age 15 after 2 years of running the huge photocopiers in the back room.

I remember thinking, all my friends are ice skating while I worked at the office every night after school and weekends during tax season. I am proud to say I was the only 13 year old who had her own checking account! I worked hard, attended many seminars, and by age 19, I opened my own tax office in Ripon. In my early 20's I started teaching tax classes too.

In 1988 I purchased the building I'm in today. I felt very proud to own real estate on Watson Street. I have always felt grateful to each one of my clients for their business, which allowed me to support my children.

I am proud of each one of my children for how they turned out and for their continued support of this family owned business. Let me introduce them to you.

Patrick – (Wife Tami, Kids – Brendan, Janice, Evan and

Spencer) on the board of directors and together with his family, always helping with painting, cleaning, plowing, shoveling and moral support.

Rebecca – (Kids – Victoria and Rafael, Grandchild – Lexie) giving help with her skills in tax prep, accounting, Spanish translating and website design and maintenance.

Jillian – (Husband William, Kids – Madison, Tabatha and Lil' William) my right hand, working full-time in this profession. William and the kids help out with cleaning and shredding.

Jennifer – (Husband Anthony, Kids – Owen and Emerson) Saturday secretary, graphic artist and print designer. Anthony paints, does electrical repair and miscellaneous odd jobs.

I would like to give a big thank you to my husband **Rich** for all he does to keep me going.

Without all of you, I could not have made it this far.

“Every time the IRS simplifies the Tax Code, I'm in business for another 20 years.”

~Vicki Scharschmidt

Vicki & Victor
Owners/Tax Prep Consultants

Jillian
Tax Prep Consultant

Rebecca
Website Design/Translator

Jen
Secretary/Graphic Design

Tax Professionals for Over 40 Years!

Tax Changes for 2011

Federal

- 1 Adoption credit** is refundable through 2011. Maximum increased to \$13,170.
- 2 Employer Health Care Plan** – Children under the age of 27 can be on parent's plan even if the child is not their dependent or even if they don't live with the parents. The premium is NOT taxable to the parents on the W-2.
- 3 Small Business Health Insurance Credit – 2010-2013** Available to small businesses with less than 25 employees whose average pay is less than \$50,000 each, can get a credit if they pay part of the health insurance for their employees.
- 4 HSA's (Health Savings Accounts)** You are still able to shelter money here and keep it out of your income. (No OTC drugs allowed) 20% penalty for withdrawal not used for medical expenses.
- 5 Employer provided health insurance** amount can be shown on 2011 W-2, but will not be REQUIRED to be shown until 2012.
- 6 Section 179 expensing for cost of Business Equipment** deduction limit =\$500,000 and Qualifying Property phase out is \$2 million.
- 7 S/E Health Insurance Deduction** – Can deduct cost of health insurance premiums as a business expense on Sch. C, F. Include premiums paid for self, spouse & children under the age of 27 as of the end of the year.
- 8 Educator classroom expenses** – Can still deduct up to \$250.00 of expenses on pg. 1, 1040 – The rest goes as additional itemized deductions.
- 9 New energy efficient home credit** – Credit is extended 2 years for homes acquired through 12/31/2011. *This credit is only available to contractor who builds the energy efficient home.*
- 10 Basis of inherited property for decedents**

Wisconsin

- 1 Adoption deduction** up to \$5,000.00 per child allowed.
- 2 WI is now adopting the same provision for the Health Care Plan** as on Federal. The premiums are not taxable to parents on W-2.
- 3 The Business Health Insurance Credit** is not available on WI, but there is a deduction allowed for premiums paid for health insurance by individuals.
- 4 Wisconsin now accepts HSA's**, so they are no longer taxable on WI returns beginning 01/01/2011.
- 5 SAME AS FEDERAL**
- 6 Deduction limit (WI amount) =\$25,000**
Qualifying Purchases phase out =\$200,000
- 7 If taken on Federal business schedule**, it automatically flows thru on WI.
- 8 Not deductible on WI**
- 9 Not deductible on WI**
- 10 Same as FEDERAL**

dying in 2011. Use stepped up basis on either date of death or the alternate valuation date at the discretion of the executor.

11 Non Business Energy Credit – Extended through 2011, using the 2009 rules – which means the maximum credit for ALL YEARS is \$500.00. So if you have not used \$500.00 in credit, you may be able to get some this year – For windows, doors, insulation, water heater, furnace and central a/c.

12 N/A

13 N/A

14 Child Tax Credit - \$1000.00 per qualifying child (under the age of 17 on Dec. 31st) Refundable portion – eligibility has increased so more lower income families qualify.

15 Education Expense –

a) American Opportunity Credit is extended for 2011 & 2012. Can use tuition plus course materials (books). You are able to claim this for the first 4 years of college. 40% refundable up to \$1,000.00.

b) Lifetime Learning Credit available up to \$2000. No limit on number of years it can be claimed. Only one credit can be used per student per year.

16 100% bonus depreciation now allowed for property with a life of 20 years or less.



11 N/A

12 Beginning Farmer & Farm Asset Credit –
1) **Beginning 01/01/2011, NEW FARMER** entitled to credit of amount paid to enroll in Financial Management Program up to \$500.00.
2) **ESTABLISHED FARMER** may claim a credit of 15% of lease amount (up to 3 years) for the lease of agricultural assets to a beginning farmer.

13 Job Creation Deduction – Beginning 01/01/2011 Businesses may claim deduction based on the increase in number of Full-Time employees employed during taxable year – deduction is \$4000 per eligible employee for businesses under \$5 million gross income

14 Child Care Expense Subtraction – you can deduct up to \$750 for one child and \$1500 for two children. No credit for child care paid from employer reimbursement account.

15 Tuition Expense – For 2011, you can deduct up to \$6185 of college tuition/fees per student attending a WI college (No room/board) Limited after \$80,000 of income.

DONATIONS THROUGH WI RETURN

There are several good organizations that can be donated to through your tax return. The new one for 2011 is:

American Red Cross Badger Chapter – which goes to the WI Disaster Relief fund

16 Not allowed on WI.

**TO CHECK ON YOUR
FEDERAL REFUND,
GO TO:
WWW.IRS.GOV**

**TO CHECK ON YOUR
WISCONSIN REFUND,
GO TO:
WWW.REVENUE.WI.GOV**

Tax Changes for 2011

INCOME TAX DUE DATE: TUESDAY, APRIL 17, 2012

The itemized deduction for mortgage insurance premiums will be allowed through 2011 and eliminated after that.

General Information

Mileage Rates for 2011 Jan. – June 30 July 1 – Dec. 31

Business	50.5¢	55.5¢
Medical & Moving	19¢	23.5¢
Charity	14¢	14¢

Per IRS calculations – If we all reported and paid our taxes correctly (no cheating) we would all pay \$2200.00 less per year.



"I'm being audited! Quick, everyone into the tax shelter!"



"I think I see the problem. You had your taxes prepared by a taxidermist."



"...and do you, Death, take Taxes..."

WHAT ARE THE MAJOR DIFFERENCES BETWEEN SCHEDULES FC AND FC-A? (WISCONSIN FARMLAND PRESERVATION CREDIT)

Schedule FC Qualifications:

- Claimant must be subject to a farmland preservation agreement entered into prior to July 1, 2009
- The 2010 property taxes for the property on which the claim is based must have been paid in full
- The claim must be based on at least 35 acres of farmland.
- Claimant must be in compliance with soil and water conservation plans and standards at the time the claim is filed.

Schedule FC-A

- Claimant must have an ownership interest in a farm that is covered by a farmland preservation agreement entered into on or after July 1, 2009, or located in a farmland preservation zoning district.
- The claimant must have paid or be legally responsible for paying the 2011 property taxes levied against the qualifying acres to which the claim relates.
- No minimum acreage requirement.
- Claimant must be in compliance with soil and water conservation plans and standards as of the end of the taxable year to which the claim relates.

Credit Computation

- Credit is a percentage of a base amount determined using the claimant's household income and property taxes.

Maximum credit allowed is \$4,200.

Credit Computation

- Credit is a flat per-acre payment of \$5, \$7.50, or \$10, based on the claimant's qualifying acres.

No limitation on the amount of credit.

