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Prepare for 1099 Reporting Changes

Although the Small Business Jobs Act passed the Senate on September 16, the Senate was not able to get enough votes to move forward proposals to repeal or amend the tax reporting requirements passed in the healthcare reform law. As the law stands, all companies will have to issue a 1099 tax form to contracted workers, as they currently do, as well as for any payee who is paid \$600 or more for goods and services in 2011. This includes all vendors, large or small: Home Depot, Costco, office supply stores, print shops, and anyone else that is paid at least \$600.

The law was put in place to reduce tax underpayment from unreported business-to-business payments.

Although both parties in Congress want to change this provision, it is important to be prepared if it remains in effect.

To get started, it is important to obtain the necessary information for all vendors before issuing checks. You will need the Tax Identification Number (TIN), reporting name used with the IRS, and mailing address. The IRS will match the data on the 1099 to its records to verify the authenticity of both your records and the vendor's records.

Here's a tip for getting ready for your 1099s: For each check you write for vendor payment in the 4th quarter, send a W9 along with it. Ask your vendor to fill out the W9 completely and return it to you. The W9 will contain all the information that you need for the 1099. You can then store the information however you and your bookkeepers deem best. The IRS also has a free TIN matching program which requires you to register with the IRS's website to use. Click [here](#) to see the required information and the services available by registering.

Businesses may want to consider paying more of their vendors by credit or debit card. Credit card processors will have their own reporting requirements and therefore businesses will not have to report 1099s for credit or debit card payments of any amount. The problem here, especially for small businesses, is the transaction fees of 2-3% charged by credit card companies already. Some businesses may consolidate vendors to cut down on the burden of the filing requirements, which can harm vendors who have small businesses and lead to higher costs for purchasers who have small businesses.

To prepare for the upcoming changes, you should keep track of the vendors to whom you paid anything close to the \$600 threshold in 2010. This will give you an idea of what kind of 1099 volume to expect for 2011.

BookKeeping Express will provide all applicable 1099 information to our current clients, and we can help any client get ready for tax season.

Upcoming Events

Great 2010 Accounting Makeover

Submit your small business accounting disaster by December 17, 2010 to win an accounting makeover! Submit your story to makeover@bookkeepingexpress.com.

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BookKeeping Express

6862 Elm Street
Suite 800
McLean VA 22101

(703) 766-6505

[Website](#)
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If you have any questions for regarding these requirements or anything at all about your bookkeeping needs, don't hesitate to ask us! You can email Bob Stocker at bstocker@bookkeepingexpress.com or call our office at 703-766-5757.

Sources: *The General Ledger*; *CNNMoney.com*:
http://money.cnn.com/2010/07/09/smallbusiness/irs_1099_flood/index.htm and
http://money.cnn.com/2010/09/14/smallbusiness/small_business_bill/index.htm;
www.irs.gov

Key processes in managing a small business

by JQ Adams

Is your company large enough to need a policy and procedure manual? This is a trick question, because it's a fact that no company is too small to need formalized policies and procedures. It's important for every business to have guidelines to follow when faced with making important decisions. It's impossible to plan ahead for every situation that might come up, but having formal policies and procedures in place can provide a framework within which important business decisions should be made. As your company starts to grow, you'll be very glad that you put the right systems in place when your organization was still small.



Basic Policies and Procedures

For most businesses, their policies and procedures evolve as time goes by out of necessity. As new situations arise, guidelines for responding to previously unplanned situations must be put in place. When you're just starting out, it's important to put some basic policy and procedure guidelines in place, with the understanding that they'll need to be expanded over time.

Customer Service Many of the problematic situations that business owners and employees deal with on a regular basis are related to customer service and customer relations issues. Don't wait for a customer to ask for a refund to determine how such requests are going to be handled. Before you ever make your first sale, you should have a formal refund policy in place that is understood by employees and made available to customers.

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What are employment taxes?

by Angela Russell

Any entity that engages in the payment of wages for work received is subject to employment taxes. Employers must deduct the proper taxes from an employee's gross pay each pay period. Employers then must add the business portion of the taxes and make a payment to the United States Treasury. There are three basic types of employment tax. Below you will find a brief overview of each.



FICA- FICA stands for Federal Insurance Contributions Act. FICA consists of both Social Security and Medicare withholding. The current withholding rate for Social Security withholding is 6.20% of the employee's gross earnings. The employer must then match that 6.20%. The current rate for Medicare withholding is 1.45% of an employee's gross earnings and must be matched by the employer.

Federal Withholding or income tax withholding is deducted from an employee's pay check based on the information the employee has entered in a form W-4. Employers are not required to pay any portion of this tax. This tax is the sole responsibility of the employee. The employer must forward the deducted amount to the United States Treasury along with other payment deductions.

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