

# ROBERT A NEIMAN

## CERTIFIED PUBLIC ACCOUNTANT

1606 James Street  
Merrick New York 11566  
Phone (516) 867-5545 or (800) 313-2119  
Fax (516) 867-4810 or (866) 823-1800  
E-Mail: [bob@bobneiman.com](mailto:bob@bobneiman.com)  
Web Site: [www.bobneiman.com](http://www.bobneiman.com)



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### **IMPORTANT INFORMATION FOR BUSINESSES AND EMPLOYERS FOR 2003:**

#### **EMPLOYER DEPOSITS OF EMPLOYEE TAXES WITHHELD:**

All employers have been notified by IRS as to which deposit rules they should follow. Generally employers with total tax liability of \$50,000 or less for the look back period (7/1/02 to 6/30/03) will be required to deposit taxes by the 15th of the following month. Employers with greater than \$50,000 total tax for the look back period will be required to make semi-weekly deposits by Wednesday & Friday of each week. Please refer to your 2003 Circular E for the detail on the rules for making deposits. The IRS assesses steep penalties for late deposits of 941 tax (Federal Withholding and FICA).

#### **SOCIAL SECURITY RATE AND BASE AMOUNTS:**

The social security wage base increases to \$87,900 for 2004. The social security rate remains at 6.2% with the employer matching this amount. The medicare rate of 1.45% is payable on all wages with no limit. The combined rate is therefore 7.65% on the first \$87,900 of wages and 1.45% on wages above that amount. The self employment tax rates are double the above rates with 1/2 of self-employment tax being deductible against income.

#### **USE TAX ON PURCHASES SHOULD BE PAID IF NO SALES TAX IS PAID:**

Sales tax is due on purchases of supplies, equipment and other items purchased for use in a business. The tax is not due on items purchased for resale (generally inventory). If these items are purchased from out-of-state or no sales tax is paid a Use Tax will then apply to those purchases. The tax rate is the same as their combined state and local rate. The tax is reported and paid on a Combined Excise Tax Return (Washington) or a Use Tax Report (New York & California). Businesses should set up a system to track taxable purchases and report Use Tax as a large tax bill can be rather unpleasant.

#### **COLLECT SALES TAX ON CASUAL SALES OF FIXED ASSETS**

Anytime a business sells a piece of equipment that it no longer needs, it should charge and collect a sales tax from the buyer. The various state Departments of Revenue are auditing in this area and collecting taxes from the seller. Often the buyer cannot be located and the seller then must pay the tax from the sales price.

#### **PERSONAL PROPERTY TAX REGISTRATION WITH COUNTY**

All businesses should be registered with any counties in which they have offices for Personal Property Taxes (except New York State). This is a tax on the value of your equipment. Call your local county assessor's office for information.

#### IMMIGRATION REFORM VERIFICATION AND REPORTING:

All employers should verify employee's employment eligibility via filling out Form I-9 "Employment Eligibility Verification" as part of an employee's work file. This form requires the employer to review and document all new employees United States Citizenship or eligibility to work as a resident alien. Failure to prepare and retain this form can result in substantial penalties. Forms and information can be obtained from the local Immigration and Naturalization Office.

#### AUTO SUBSTANTIATION RULES:

In order to substantiate business use of autos it is still necessary to keep a mileage log showing: # of miles driven, date, destination & business purpose of trip. You must also keep track of all auto expenses as your deduction will be based on the business use percentage (from the log) multiplied by your total auto expenses for the vehicle. As an alternate for 2003, you can take mileage at 36 cents per business mile. The mileage allowance for 2004 is 37 ½ cents per mile. For vehicles used less than 50% for business, depreciation and lease deductions are limited.

#### ENTERTAINMENT DEDUCTIONS AND SUBSTANTIATION:

Information that must be kept to substantiate meals and entertainment includes: date, place, person entertained and business purpose of the entertainment. This can be done by recording the information on the receipt or in a journal (however, you must save the receipt for any expense over \$75). Only 50% of entertainment and meal costs are deductible 2003.

#### BUSINESS GIFTS

Business gifts up to \$25.00 per recipient per year are deductible. Amounts in excess of the \$25.00 are not deductible. Records should be kept on who was given gifts and the business purpose.

#### CLUB DUES ARE NO LONGER DEDUCTIBLE:

Beginning in 1994, no club dues are deductible by businesses or employees.

#### PREPAYMENT OF FOURTH QUARTER STATE INCOME TAX ESTIMATES

By making your fourth quarter 2003 state income tax estimated tax payment by December 31, 2003 individuals can accelerate the tax deduction into this year. This would be appropriate if your income has risen substantially in the current year.

I am always looking for additional business clients and greatly appreciate your referrals. If you have any questions on any of the above items, or your income has changed substantially during the year and you would like a projection of your 2003 tax liability, please feel free to call.

Yours truly,

*Bob Neiman*