



Help us keep **you** out of trouble!

Dear Clients:

In order for us to complete your W-2s accurately and on time, we'll need your help. There are a few adjustments that need to be made to the W-2s each year. Failing to do so can cause real problems in an audit. So, please help us help you stay out of trouble with the IRS.

There are three items discussed below. Not all of them will apply to you. Please read carefully, and then complete the attached worksheet called the "2009 W-2 Adjustment Form".

**1. This part applies to businesses that own one or more vehicles:
Personal Mileage on Business Vehicles**

If you have any vehicles that are owned by the business (i.e. not owned personally) that you or any of your employees have driven for personal use, we need to make an adjustment to the W-2 based on the mileage driven and the cost of the vehicle. Keep in mind that personal use includes driving back and forth from home to the office (that's commuting and does not qualify as a business expense). Personal use also includes all mileage that is not directly related to the business.

If you have personal miles on your business vehicle, please let us know the business miles you have driven in 2009 and the personal miles in 2009. If the vehicle was new to you in 2009, then please also give us the purchase price. There's an IRS table that we use to determine the amount to be added to your W-2.

**2. This part applies to everyone:
Life Insurance**

A business is only allowed to deduct the cost of up to \$50,000 of group term life insurance for an employee. If your business is paying for life insurance that exceeds 50K, the additional expense is treated as income

to the employee and we will need to add the excess premiums to the W-2.

**3. This part only applies to shareholders in an S corporation:
Health Insurance Premiums**

If your S corp is paying health insurance premiums for a shareholder-employee who owns more than 2% of the corporation, then the S corp is not allowed to deduct those premiums. But, it's not as bad as it sounds because the employee can deduct the premiums in full on their personal return. This deduction is only valid if (1) the premiums have been added to the employee's W-2, and (2) the corporation has a group plan through the business. (A group plan with only one participant is valid.) This can be a significant deduction, so please help us make sure you qualify for it.

This part applies to everyone

I know this is a bit confusing. Just call me with any questions. We need to get the "2009 W-2 Adjustment Form" back from you before we can process your last payroll in December. Depending on your adjustments, you may have additional payroll taxes to pay, and we don't want them to be late. We also don't want you to be caught short, so the sooner we get the form back, the sooner we can complete your calculations.

If you are planning on paying year end bonuses, we're happy to help with that. Please try to give us a little bit of notice, though. We need to process any bonus checks prior to December 31st. They can be done with your regular payroll, or we can do a separate payroll for you if you prefer. Please don't call us in January to do a December bonus!

Thank you all for reading this. I appreciate your business.

Sincerely,

Marla

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