



How Do The New Tax Laws Affect Your Association?
By James F. Pirc CPA

As with all tax laws, some will apply to more taxpayers than others. This article is designed to inform you about the new laws that have the greatest likelihood of applying to your association. Also, as with all tax laws, the laws can be changed at any time. This article is about the laws that are in effect as of its writing (late November, 2010).

The most wide-reaching new law is the increased requirement to file Forms 1099. Enacted as part of the Healthcare Reform Act, a Form 1099-MISC must now be issued to all those that receive a payment from your association.

The old law required the form to be issued for payments for services over \$600 in a calendar year to all non-corporate entities and law firms. Based on the new law as it is currently written, effective in 2012, a Form 1099-MISC will need to be given to all payees that receive over \$600 in a calendar year. The corporate exemption and the product exemption have been removed. The IRS has issued a proposed regulation that would exempt purchases made with a credit card. As an example, if you buy over \$600 in office products from a local store (not using a credit card), such as Office Depot or Office Max, you would now be required to give them a Form 1099-MISC for these purchases. Unless the law is changed, you should start getting Forms W-9 signed by all of your vendors after January 1, 2012. A bill has been introduced to repeal this section of the law, but there is uncertainty as to whether or not it will become law.

Another new law doubles the penalties the IRS can assess if the association does not issue Forms 1099 as the law requires. This is effective for all information returns that are required to be filed on or after January 1, 2011. This means the penalties will be increased for all 2010 forms since they are required to be filed with the IRS by February 28, 2011. Depending on the facts and circumstances, penalties now start between \$30 and \$250 per return and have a maximum of \$1.5 million.

If you hired any new employees, another tax provision could save your association some money. As you know, the employer is required to match the social security amount that is withheld from employee paychecks, currently 6.2% of gross wages. Under the new law, the employer does not need to match the social security, assuming the employee and employer both qualify. Qualifications are as follows:

- Employment begins after February 3, 2010 and before January 1, 2011
- Employee certifies on IRS Form W-11 that he/she has not been employed for more than 40 hours during the 60-day period ending on the date the employee begins employment

- Is not employed to replace another employee unless the other employee separated from employment voluntarily or for cause (including downsizing)
- Is not related to the association

If you make any tax payments to the IRS, effective January 1, 2011, you are now required to make your payments electronically. The IRS sent out informational notices at the end of October of 2010 to inform all businesses of this new requirement, along with instructions on how to set up the company in the IRS's electronic system (EFTPS – Electronic Federal Tax Payment System). Once enrolled, you can choose to pay your taxes by telephone or internet.

While most or all of the media attention is given to the tax impact to individuals, as you can see there are plenty of changes that have already been enacted that will affect associations. Watch out for future changes as Congress begins to debate!

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