

Tax Update: Two Recent Tax Law Changes That Affect You and Your Company

It appears that there is more good news on the tax front. The IRS has recently announced an increase in the optional standard mileage deduction for use of your automobile for business, medical and moving purposes. These increases are effective from July 1, 2011 through December 31, 2011. The increase in the business deduction from 51 to **55.5 cents per mile** and in the medical/moving deduction from 19 to 23.5 cents per mile was based on rising gas prices. IRS Commissioner Doug Shulman explained that, “This year’s increased gas prices and having a major impact on individual Americans. The IRS is adjusting the standard mileage rates to better reflect the recent increase in gas prices. We are taking this step so the reimbursement rate will be fair to taxpayers.”

As always, we suggest that you keep well organized records to substantiate any deduction.

Type of Mileage Deduction	January ^{1st} – June 30 th	July 1 st – December 31 st
Business	51 (cents per mile)	55.5
Medical/Moving	19	23.5
Charitable	14	14

There have also been recent updates to the Federal Unemployment Tax (FUTA). The Federal Unemployment Tax Act provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only employers are responsible for paying FUTA tax. The current FUTA tax rate for January 1, 2011 through June 30, 2011 is 0.8%. **For the period of July 1, 2011 through December 31, 2011, the FUTA rate is scheduled to decrease to 0.6%.** This tax applies to the first \$7,000 you pay to each employee as wages during the year. The \$7,000 is the federal wage base, but your state wage base may be different. If your business outsources its payroll, your payroll service provider should be aware of the FUTA tax rate change and should adjust your FUTA deposits accordingly. If you run payroll internally, depending on the type of accounting software in place, you might be able to automatically update your payroll tables or it might be required to be done manually. If you need help determining whether or not your system needs manual updates, please feel free to contact us.

For more information on either of these topics, please contact:

Matthew S. Kaynard, JD at 770-671-1533, ext. 209, mkaynard@largeandgilbert.com
Alesha Tyler at 770-671-1533, ext. 215, atyler@largeandgilbert.com