



November, 2011

Dear Client:

The purpose of this memo is to remind you about the Internal Revenue Service regulations pertaining to amounts to be included on Forms W-2 for 2011.

HEALTH INSURANCE PAID ON BEHALF OF SHAREHOLDERS OF S CORPORATIONS

S Corporations are required to include on the W-2 of shareholders owning more than 2% of an S Corporation the amount of health insurance the S Corporation pays on their behalf. The amount included on the W-2 should be the total health insurance paid through December 31, 2011 and should be included as gross wages on the Form W-2.

IMPORTANT NOTE: This amount **is not** subject to FICA or Medicare withholding.

PERSONAL USE OF COMPANY OWNED AUTOMOBILES

1. The company must obtain from each employee a statement for the year (or at the company's option for the 12 months ended October 2011) reflecting the following:
 - a. Total mileage for year
 - b. Commuting mileage for year
 - c. Personal mileage for year
2. The taxable benefit is computed as follows:
 - a. Divide the total number of personal and commuting mileage by total mileage. This will determine the personal use percentage.
 - b. The total benefit is calculated by reference to the enclosed "Annual Lease Value Table" published by the Internal Revenue Service and adding to that the amount of the fuel cost paid by the employer (or 5.5 cents per mile traveled).
 - c. Total benefit is then multiplied by the personal use percentage to determine the taxable benefit to the employee.
 - d. The taxable benefit must be reported on Form "W-2".
 - e. The taxable benefit is subject to FICA/Medicare taxes (assuming the \$106,800 limit has not been reached for FICA; however, there is no limit for Medicare).
3. This information should be provided to your payroll preparer as soon as possible. Please call us if you need any additional information.
4. An additional 941 tax deposit will be required by December 31, 2011, for the amount of the FICA/Medicare taxes computed in step 2e plus the employer's matching amount.

Enclosed is the "Annual Lease Value Table", plus sample schedules that will be required to be completed for your company's next tax return.

GROUP TERM LIFE INSURANCE OVER \$50,000

The cost of premiums paid by an employer for up to \$50,000 of coverage of nondiscriminatory group-term life insurance is neither taxable to the employee nor subject to tax withholdings. The cost of coverage over \$50,000 is taxable to the employee but not subject to Federal or state income tax withholdings. It must, however, be included on the employee's Form W-2. The taxable amount is determined by using IRS Table I (see below). Please note that any after-tax contributions made by the employee will reduce the taxable amount.

The cost of group-term life insurance coverage in excess of \$50,000 is subject to FICA (assuming the employee's wages are less than \$106,800) and Medicare tax withholding.

Dependent care coverage: The cost of employer-provided group-term life insurance on the life of an employee's spouse or dependent child is taxable to the employee if the coverage exceeds \$2,000.

How to Compute Taxable Costs

Table I sets forth the cost of each \$1,000 of group-term life insurance for one month, computed on the basis of 5-year age brackets. For purposes of the table, the age of the employee is the attained age on the last day of the employee's taxable year.

Uniform Premiums - IRS Table I
Cost per \$1,000 of Protection for 1-Month Period

<u>Age</u>	<u>Cost</u>
Under 25	\$.05
25 through 29	\$.06
30 through 34	\$.08
35 through 39	\$.09
40 through 44	\$.10
45 through 49	\$.15
50 through 54	\$.23
55 through 59	\$.43
60 through 64	\$.66
65 through 69	\$1.27
70 and above	\$2.06

Example: Assume a 57-year old employee is covered for \$250,000. Using the above table, the cost of \$1,000 of insurance for one month for a 57-year old is \$.43. The taxable amount is calculated as follow:

1)	Taxable coverage (\$250,000 - \$50,000)	\$200,000
2)	Annual cost per \$1,000 [(12 x .43)]	5.16
3)	Amount included in employee's W-2 (\$5.16 x 200)	1,032

Very truly yours,

Weil, Akman, Baylin & Coleman, P.A.

COMPANY NAME

REPORT OF AUTOMOBILE USAGE

EMPLOYEE'S NAME _____

VEHICLE DESCRIPTION: YEAR & MODEL _____

DATE VEHICLE USED: FROM _____ TO _____

TOTAL MILES TRAVELED

- 1. Commuting _____
- 2. Personal _____
- 3. Business _____
- Total _____

EMPLOYEE SIGNATURE

DATE

ANNUAL LEASE VALUE TABLE

REG. 1.61-21(d)(2)(iii)

AUTOMOBILE FAIR MARKET VALUE

ANNUAL LEASE VALUE

\$0 to 999	\$ 600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6,350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 29,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250
Over 59,999 (.25 x the fair market value +\$500)	

AUTO ANNUAL LEASE VALUE CALCULATION
FOR THE TAX YEAR ENDED DECEMBER 31, 2011

Employee Name: _____

Vehicle: _____

Date Vehicle Used: From: _____ To: _____

Total Miles Vehicle Used (A) _____

Total Commuting Miles _____

Total Personal Miles _____

Total Commuting and Personal Mileage (B) _____

Total Personal Use Percentage (B)/(A) (C) _____

Fair-Market Value of Vehicle: _____
(Use same fair market value for four (4)
years before re-valuing vehicle)

Annual-Lease Value (Refer to enclosed chart): (D) _____

Add: Total Fuel Cost Paid by Employer is as follows:
Multiply total mileage (A) by .055 (E) _____
Reg. 1.61-21(d)(3)

Subtotal: (Annual Lease Value + Fuel) ((D) + (E)) (F) _____

2011 Taxable Benefit to Employee

Total Personal Use Percentage (C)

Multiplied by - Annual Lease Value + Fuel (F) X

= Taxable Benefit to Employee =

Add: Additional Social Security (4.2% x benefit)
(if total wages for employee is less than \$106,800)
and Medicare Tax Withheld on Taxable Benefit to
Employee (1.45% x benefit)

Total to be Included in Employee's W-2 \$

REMINDER: Employer and Employee Social Security
and Medicare Tax (if applicable) must be
considered in computing your Form 941
deposit. Please, remember that the
employer portion of Social Security is
computed using 6.2%.