



Charles M. Pace, CPA  
K. Brad Wooten, CPA

2809 Village Way  
New Bern, NC 28562

P: 252.633.5096  
F: 252.633.6901

## AUGUST, 2011

**Sales Tax Holiday Reminder.** The North Carolina Department of Revenue has announced that the state's sales tax holiday beginning at 12:01 a.m. on Friday, August 5, 2011 and ending at 11:59 p.m. on Sunday, August 7, 2011, will apply to clothing, footwear, and school supplies of \$100 or less per item; school instructional materials of \$300 or less per item; sports and recreational equipment of \$50 or less per item; computers of \$3,500 or less per item; and computer supplies of \$250 or less per item. Retailers may not charge sales taxes and require taxpayers to request refunds of those taxes, either from the retailer or the Department. Participation in the sales tax holiday is required, and retailers may not "opt out" of the holiday. Discounts from retailers' coupons are deducted from the price of the item before eligibility for the exemption is determined; whereas, manufacturers' coupons are not deducted from the sales price before determining eligibility for the sales tax exemption. Rebates do not affect the sales price of an item for the sales tax holiday.

**New Hire Reporting.** New legislation requires all employers to use the federal E-Verify system to verify the employment eligibility of new hires. The law has staggered effective dates, going into effect on October 1, 2011 for county and municipal employers. It becomes effective October 1, 2012 for employers with 500 or more employees. The requirements are effective on January 1, 2013 for employers with 100-500 employees, and on July 1, 2013 for employers with 25 or more, but fewer than 100 employees. Employers will be subject to penalties for repeated violations of this provision.

**Business Standard Mileage Rate Increases for Last Half of 2011.** IRS has announced that the optional mileage allowance for owned or leased autos (including vans, pickups or panel trucks) will increase 4.5¢ from 51¢ to 55.5¢ per mile for business travel from July 1, 2011 to December 31, 2011 to better reflect the real cost of operating an auto in this period of rapidly rising gas prices. This rate can also be used by employers to reimburse tax-free under an accountable plan employees who supply their own autos for business use, and to value personal use of certain low-cost employer-provided vehicles. The rate for using a car to get medical care or in connection with a move that qualifies for the moving expense will also increase 4.5¢ for the last half of 2011 from 19¢ to 23.5¢ per mile.

**Background.** The mileage allowance deduction replaces separate deductions for lease payments (or depreciation if the car is purchased), maintenance, repairs, tires, gas, oil, insurance and license and registration fees. The taxpayer may, however, still claim separate deductions for parking fees and tolls

connected to business driving. IRS generally adjusts the standard mileage rate annually, based on a yearly study of the fixed and variable costs of operating an automobile.

Employers that require employees to supply their own autos may reimburse them at a rate that doesn't exceed the business mileage allowance for employment-connected business mileage, whether the autos are

**Circular 230 Disclaimer:** Any tax advice contained in the body of this material was not intended or written to be used, and cannot be used, by the recipient for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein. The taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

owned or leased. The reimbursement is treated as a tax-free accountable -plan reimbursement if the employee substantiates the time, place, business purpose, and mileage of each trip. Additionally, an employee's personal use of lower-priced company autos may be valued at the optional mileage allowance if certain conditions are met.

A separate rate applies for using a car to get medical care or in connection with a move that qualifies for the moving expense deduction. The mileage rate for driving an auto for charitable use (14¢ per mile) is a statutory rate that's not adjusted for inflation.

**When The New Rates are Effective.** The revised standard mileage rates in Ann. 2011-40 (55.5¢ for business; 23.5¢ for medical or moving expenses) apply to deductible transportation expenses paid or incurred for business, medical, or moving expense purposes on or after July 1, 2011, and to mileage allowances that are paid both (1) to an employee on or after July 1, 2011, and (2) for transportation expenses paid or incurred by the employee on or after July 1, 2011.

However, the standard mileage rates in Notice 2010-88, 2010-51 IRB 882 (51¢ for business; 19¢ for medical or moving expenses), continue to apply to deductible transportation expenses paid or incurred for business, medical, or moving expense purposes before July 1, 2011, and to mileage allowances paid: (1) to an employee before July 1, 2011, or (2) with respect to transportation expenses paid or incurred by the employee before July 1, 2011. All other provisions of Notice 2010-88 remain in effect. (Ann. 2011-41)

**IRS Warns Taxpayers to Avoid Being Victimized by Scam Artists[IR 2011-73]:** Taxpayers continue to fall prey to perpetrators of tax scams, and IRS is urging they exercise more vigilance. Scam artists are increasingly trying to persuade taxpayers to file false claims for tax credits or rebates, IRS said in a recent advisory. According to the agency, there has been an upswing in tax-return-related scams, often involving "unsuspecting taxpayers who normally do not have a filing requirement in the first place." These taxpayers are led to believe they should file a tax return for tax credits, refunds or rebates for which they are not entitled, IRS said. In the advisory, IRS offered a list of situations that should raise a taxpayer's suspicion, including: fictitious claims for refunds or rebates based on excess or withheld Social Security benefits; claims that Treasury Form 1080 can be used to transfer funds from the Social Security Administration to IRS enabling a payout from the agency; unfamiliar for-profit tax services teaming up with local churches; and homemade flyers and brochures implying credits or refunds are available without proof of eligibility. Further details are located at <http://www.irs.gov/newsroom/article/0,,id=241789,00.html>.

---

**Estimated Tax Payments.** The following estimated tax payments are due by August 15, 2011:

Individuals	No installment due
Corporate Income Tax Years Ending:	
April 30, 2012	1 <sup>st</sup> Installment
February 28, 2012	2 <sup>nd</sup> Installment
November 30, 2011	3 <sup>rd</sup> Installment
August 31, 2011	4 <sup>th</sup> Installment

**Circular 230 Disclaimer:** Any tax advice contained in the body of this material was not intended or written to be used, and cannot be used, by the recipient for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein. The taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.