

■ IRS ANNOUNCES INDIVIDUAL TAX RETURN FILING DELAYS

Three of the tax changes passed in December 2010 have caused the Internal Revenue Service to announce that some taxpayers will need to wait until mid to late February to file their individual tax returns. Taxpayers affected by the delay are those claiming itemized deductions on Schedule A, taxpayers claiming the Higher Education Tuition and Fees Deduction, and taxpayers claiming the Educator Expense Deduction.

We will, of course, continue to closely monitor progress on this matter and will process returns for our clients as soon as the IRS is able to properly receive and process the electronic file submissions we make on behalf of our individual tax return clients. Please call or contact us if you would like assistance with this information or any other tax matters.

■ CONGRATULATIONS, EDIE YATES!

We were all thrilled last week to learn that Edie Yates was named the 2010 Leadership Lakeland Alumni Association Jere Annis Award recipient. Edie's family and friends were there to help celebrate her accomplishments (pictured at right). The Jere Annis Award is given annually to a Leadership Lakeland graduate who exhibits exemplary leadership, professionalism and community service.



■ SUBSTANTIATING BUSINESS AUTOMOBILE EXPENSES

If you use your car for business purposes, you must have adequate documentation to deduct these business expenses on your tax return. The IRS requires that you keep a record of your business use, including the date, business miles driven, business destination, and business purpose. The easiest way to meet these requirements is to keep a log in your car and to record the details each time you use your car for business. You should also record monthly odometer readings, or at a minimum odometer readings from the beginning and end of each year. The IRS will not accept a record that is created "after the fact" in response to an audit. Estimates of business usage, such as 30% of total mileage for the year, are not acceptable either.

Your records should also include the cost of your car and any improvements, and the date you began to use the vehicle for business purposes. You can ordinarily deduct business expenses using either the standard mileage rate or actual expenses.

STANDARD MILEAGE RATE: The standard mileage rate is \$0.51 per mile for 2011 and \$0.50 per mile for 2010. To use the standard mileage rate for a car you own, you must choose to use it the first year the car is available for use in your business. Then in later years you may choose to use either the standard mileage rate or actual expenses.

If you use the standard mileage rate, you cannot deduct your actual car expenses for that year. In addition to the standard mileage rate, you may deduct business-related parking fees and tolls. Parking fees paid to park your car at your place of work are considered nondeductible commuting expenses.

ACTUAL CAR EXPENSES: If you do not use the standard mileage rate, you can deduct a portion of your actual car expenses, including depreciation, licenses, gas, oil, insurance, registration fees, repairs and tires. The amount you can deduct will depend on the percentage of your business miles for the year compared to the total miles you drove the vehicle that year. As with the standard mileage rate, you can also deduct business-related parking fees and tolls.

■ SUBSTANTIATING BUSINESS AUTOMOBILE EXPENSES (continued)

Proper documentation of business-related car expenses requires a bit of effort. However, the implementation of a simple recordkeeping system will help maximize tax deductions and protect you in the event your records are examined. Please contact us if you would like assistance with car expense documentation or other tax matters.

■ MEET ROSEMARY ROUDABUSH

Chances are good that you will speak with Rosemary Roudabush if you call our office this tax season. Rosemary joined us last March and has quickly fit right in with the Baylis team.

Rosemary served our country in the United States Army for two and a half years in the Military Police before interning and then working for both the State of Ohio Department of Natural Resources and the Office of the First Lady. The keen organizational and reporting skills she learned in these capacities have proved to be a real benefit to our Firm.



Rosemary is very active in the community. She is a member of EMERGE Lakeland and a graduate of the EMERGE Serves program, as well as a volunteer for Parker Street Ministries. Rosemary's husband, Jack, is a wheelchair athlete and together they work to raise awareness for the handicapped through the Freedom Playground Foundation and other area agencies serving the disabled. We hope you enjoy working with Rosemary as much as we do!

■ IS YOUR HOBBY A FOR PROFIT ENDEAVOR?

In general, taxpayers may deduct ordinary and necessary expenses for conducting a trade or business for the production of income. To properly apply the "hobby loss rule," the IRS recommends you consider the following factors to determine if your hobby is, in fact, a for profit endeavor:

Does the time and effort put into the activity indicate an intention to make a profit?

Do you depend on income from the activity?

If there are losses, are they due to circumstances beyond your control or did they occur in the start-up phase of the business?

Have you changed methods of operation to improve profitability?

Do you have the knowledge needed to carry on the activity as a successful business?

Have you made a profit in similar activities in the past?

Does the activity make a profit in some years?

Do you expect to make a profit in the future from the appreciation of assets used in the activity?

An activity is presumed for profit if it makes a profit in at least three of the last five tax years, including the current year (or at least two of the last seven years for activities that consist primarily of breeding, showing, training or racing horses). If an activity is not for profit, losses from that activity may not be used to offset other income. Please contact us if you would like further clarification on this matter.

■ CLOSING THOUGHTS

We are in the unique position of being both tax preparers and taxpayers. We also enjoy a laugh, especially during this busy time of year. Apparently, the IRS feels the same way, since we actually found humorous quotes (and the obligatory disclaimer!) on their website.

We thought this one was worth sharing with you:

Next to being shot at and missed, nothing is really quite as satisfying as an income tax refund.

~F. J. Raymond, humorist

Please visit our website at www.bayliscpas.com

53 Lake Morton Drive · Lakeland Florida 33801 · 863-688-8841