



TERRY LOCKIE
MS, MA, CPA

Hello friends!

WE DID IT! At 6 p.m. on April 18th, everyone in our office breathed a sigh of relief. We survived another tax season with no casualties. A few bumps and bruises, but we live to see another tax day.

It was great to see everyone again and catch up on what's been happening in your lives and of course it's always wonderful meeting new clients.

Paying taxes usually ranks pretty high on our list of things we don't like to do, but do you ever wonder where your tax dollars go?

The White House has released a simple calculator showing where your federal tax dollars for 2010 were spent. It's called "Your 2010 Federal Taxpayer Receipt". (Just google that and it should take you to the calculator). Using the calculator is pretty simple. Simply type in your social security taxes, medicare taxes and federal income taxes paid in 2010, and the calculator will return results showing where your tax dollars were spent.

Obviously, your Social Security taxes go to pay for Social Security and the same for Medicare. The calculator breaks down your federal income tax dollars by various federal programs for defense, health care, international aid, and science and technology programs. You can click the "expand all sub-categories" link to reveal further details.

The top five federal expenses by percentage are:

Defense at 26.6%

Health Care at 24.3%

Job and Family Security at 21.9%

Net interest payments at 7.4%

Education and Job Training at 4.8%

Be sure to check out this website, so you can see exactly where your money went.

Terry Lockie

Celebrate The End Of Tax Season By Shredding Old Tax Papers.

One of the best ways to celebrate the end of tax season is to clear out the clutter in your file cabinet. No one likes to pay taxes but everyone likes shredding old tax papers.

Most people are a little afraid to toss financial documents. Not sure what to keep and what to toss? Here are some guidelines for keeping or shredding various types of financial statements:

1. Investment Papers: When you sell a security that is held in a taxable account, you need to be able to say what you paid for it, or at least be able to come up with a good faith estimate of the price you paid. That way you can calculate your profit or loss. While many brokerages provide cost records, unless you are sure that your firm has the information and it is correct, hang on to confirmations. For mutual fund purchases, hang on to your final statement of each year, the one showing all purchases plus any reinvested distributions. Everything else can be shredded.

"In January brokerage houses had to start providing cost information on stock purchases. This had many investors thinking they could empty their files of old confirmations. Be sure your broker has the correct information before shredding any confirmations."

2. Tax Records: Assuming you are not filing fraudulent returns—for which there is no statute of limitations, support documents and backup paperwork, any and all information that helps determine your tax liability from canceled checks to receipts must be kept for three years. Before shredding those older documents, pull out anything related to home improvements and any records covering dividends or capital gains that were not part of year end investment statements.

These documents may come in handy for calculating profit or loss when you sell the home or investment. To be ultra-cautious, keep backup documents related to your income for six years, the length of time the IRS has to challenge a return on which it believes gross income was underreported by 25% or more. Always keep the tax return.

3. Pay Stubs: Assuming you received everything you were entitled to and have no dispute with your employers, dump the pay-check stubs. Use the last stub of the year to cross-check your employer's tax reporting.

4. Consumer Bills: Credit card statements, utility bills, department store and service station charge card bills should be kept long enough to verify the information and make sure your payments have been properly credited. After that, and unless you have expenses that could qualify for tax deductions, there is no real reason to hang on to these documents. However, if you have a credit card that offers "buyer protection", keeping the credit card bills for big ticket items makes sense.

5. Bank Statements/Canceled Checks/ATM Slips: Most consumers don't actually get canceled checks anymore, but instead get mini photo images of checks they have written. Either way, there is absolutely no reason to hold onto an old check from a trip to the grocery store or a purchase at a flower shop once the item has hit your account. Sort the checks with tax ramifications, such as charitable contributions, mortgage or tax payments, home improvements, and the like. Once you balance your checkbook, toss the statements, remaining checks and any slips from automated teller machines. And if you haven't balanced your checkbook in years and have stacks of old statements sitting around the house, go ahead and toss them. You'll feel much better when your spring cleaning is done.

How To Accurately Revise Your Withholding For Federal Income Taxes

After finishing up your tax return, it's a smart idea to do a little planning ahead for next year. Your income or deductions may be changing, and you may want to adjust your withholding to avoid having too large a refund or a significant balance due. Finding just the right level of withholding can be tricky, especially if you anticipate significant changes to your income or deductions.

Claiming a level of withholding that is "just right" takes a fair amount of time to calculate and as a result, some people like to skip the math. For those that want to keep things simple, the easiest course of action is for taxpayers to claim either married or single with one withholding allowance on their form W-4. This usually results in a refund for most people, however, if you have investment income or some other form of income, claiming one withholding allowance may not be sufficient to cover tax liabilities. So people who want to count on a refund should review their withholding at least periodically.

The more accurate way to adjust your withholding is to create a projected tax return for the year. You can do this by using the same tax forms as last year, but substitute the current tax rates. For example, you could calculate your income and deductions based on what you expect for 2011, and then use the 2011 tax rates to find out what your projected tax will be. You can use the worksheet found in Form 1040-ES on the IRS website which has formulas for calculating taxes for the current

year. After figuring out the tax liability, use the withholding calculator found on the IRS website to see what the suggested withholding allowances might be. You can also do the math by hand using the worksheets provided with the Form W-4.

The math for the calculator and the worksheets may seem a bit confusing at first. Basically, these tools are attempting to find your "withholding allowances". Withholding allowances are not the same as how many dependents you have, although the two concepts are related mathematically. A withholding allowance is a way for your payroll department to use the look-up tables provided by the IRS to figure out how much tax to withhold. Roughly, a withholding allowance represents your total tax deductions divided by the personal exemption amount. This results in a ratio, and this ratio is how many withholding allowances you should claim. You should try to get your withholding to produce a refund in the range of \$500-\$1000. This will give you enough room so that any changes in income or deductions will not result in owing very much.

Once you figure out your tax withholding you can go online and plug the numbers into a payroll calculator. Be sure to have a recent paycheck handy so you can use actual income amounts. You can use these amounts to see what your new paycheck will look like. If you need assistance with your withholding, give our office a call for an appointment.

704 Jackson Street
Sioux City, IA 51105

Phone: 712-277-2834
Fax: 712-277-2164

www.taxpros-plus.com

Terry Lockie, CPA, MA, MS

Dawn Mikkelson, CPA

Kathy Pynn, CFSA

Teresa Hughes, Accountant
Quickbooks Pro Advisor

Kay Derby, Bkpr/Payroll

Susie Christensen, Office Manager

Bobbie Wahlberg, Billing Manager

Cheri Twohig, Admin. Assistant

You can submit questions to:

Ask Terry
704 Jackson St.
Sioux City, IA 51105
or email your questions to Terry:
tlockie@taxpros-plus.com

*We have
what it takes,
so you can
keep what
you have!*

Tips For Paying Outstanding Taxes

April 18th was not only the tax filing deadline for 2010, but also the deadline for paying any 2010 tax due to the IRS.

Many people are afraid to file their return because they don't have enough money to pay. Here are some practical tips for managing the tax payments.

First, you need to file an extension and pay as much as you can with the extension voucher. Second, consider how much time you need. Can you pay off your taxes in 6 months or less? Can you pay the IRS in 9 months? Perhaps you need to stretch your payments over a longer period of time?

If you can pay your taxes in full within 6 months, simply start making payments using the 1040V payment voucher which can be found on the IRS website. Then file the return by the October deadline. The IRS will still add in the late payment charge (half a percent per month) and interest (4 percent annually), but you will have avoided the late filing penalty of 5% per month.

If you can pay your taxes in full within 9 months, simply start making payments using the 1040-V payment voucher, and file your return by the October deadline. A few days after filing, call

the IRS at 1-800-829-1040 and ask for a short-term extension to pay. The IRS will usually give you an extra 60 to 120 days to pay in full. The IRS will add in late charges, but you'll avoid the late filing penalty and you'll also avoid the one-time fee for setting up a formal payment plan.



If you need more time than 9 months to pay your taxes, your best bet is probably a formal payment plan, also called an installment agreement in IRS terminology. The IRS does charge a one-time set up fee, ranging from \$43 to \$105. The IRS will automatically approve your payment plan if you owe \$25,000 or less and you pay off your balance in 5 years or less.

The worst thing you can do, financially speaking, is waiting to file after October. Because the IRS will add in the late filing penalty of 5% per month. And that will cause your tax bill to grow very quickly.

Social Security Changes for 2011

The Social Security program has been tweaked in several important ways in 2011. Workers will get a temporary tax break on the amount they pay into the entitlement program, and several claiming options for retirees will be eliminated. Here's a look at how the Social Security program will change this year.

Lower Social Security taxes. The amount workers pay into the trust fund will temporarily drop from 6.2 percent of taxable wages up to \$106,800 annually to 4.2 percent in 2011 only. For self-employed workers, the Social Security tax rate will drop from 12.4 percent to 10.4 percent, due to provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, signed by President Obama on December 17. Employers will continue to pay 6.2 percent of wages into the program.

Free loan option eliminated. Retirees will no longer be able to get an interest-free loan from the Social Security trust fund this year. The SSA announced in December 2010 that individuals will not be able to begin payments at age 62, pay back all the benefits received at age 70 without interest, and then reclaim at a higher rate due to delayed claiming. Under the new rules, Social Security beneficiaries may withdraw an application for retirement benefits only within 12 months of their first Social Security payment and are

limited to one withdrawal per lifetime. The Center for Retirement Research at Boston College calculated that mass utilization of this claiming strategy could cost the system between \$5.5 billion and \$11 billion, primarily going to high-income households with enough liquid assets to pay back the benefits.

Retroactive benefit suspensions discontinued. Retirees will still be allowed to temporarily suspend their benefits and restart them later, which can result in bigger Social Security checks to account for the months or years in which payment was not received. Retirees will be allowed to voluntarily suspend benefits only for months in which they did not receive payments or future benefits beginning the month after the request is made.

Paper checks retired. Retirees who apply for Social Security on or after May 1, 2011, will no longer have the option of receiving a paper check in the mail. Seniors can have the payments directly deposited into a bank account or loaded onto a prepaid Direct Express Debit Mastercard. This will provide significant savings to American taxpayers who will no longer incur the annual \$120 million price tag associated with paper checks and will save Social Security \$1 billion dollars over the next 10 years. Retirees already receiving paper checks will need to switch to auto deposit or debit Mastercard by March 1, 2013.



Got a question for Terry?
Email it to us at: tlockie@taxpros-plus.com

Question: I pay child support. Does this affect my taxes in any way?

Answer: No. Child support cannot be claimed by either parent. However, if your child lived with you for the greater part of the year, and you are the custodial parent, you can generally claim the exemption for the child and claim Head of Household filing status.

Question: Do you have any tips for boosting a credit score?

Answer: This may seem like bad advice, but adding debt can revive your credit. A small personal loan, paid off over time, should boost your scores, as will responsibly using your credit cards. Just make one or two purchases a month and then pay them off in full each month. If you don't have a credit card, consider a secured card, which gives you a line of credit equal to an amount you deposit with the issuing bank. Having both revolving accounts, cards and installment loans will rehabilitate your scores faster. To keep your credit score high, always pay your bills on time. A single skipped payment can knock 100 points off your score.

Quiz

Test Your Tax Knowledge

1. Which ancient civilization revered the tax professional as the most noble man in society?

- A. Greece
- B. Rome
- C. Egypt

2. The IRS received a total of 161,598,000 individual tax returns in the year 2010. How many of these were filed electronically?

- A. 1,654,841
- B. 59,769,000
- C. 71,628,000

3. Over 74 million individual income tax returns that the IRS examined in 2010 resulted in refunds to taxpayers. What was the total amount of these refunds?

- A. \$1,100,000
- B. \$318,000,000
- C. \$219,368,000,000

4. A tariff is a direct tax on imported or exported goods. What is the origin of the word tariff?

- A. The English word tarry, which means to delay or be slow.
- B. The French word tare, which means corrupt.
- C. The English word tar, which is a thick, sticky liquid.

5. What was the top income tax rate during World War I?

- A. 77%
- B. 33%
- C. 25%

6. The average annual income in 1913 was?

- A. \$800
- B. \$1,200
- C. \$5000

7. How much do you think the tax was on a gold watch during the civil war?

- A. \$3.00
- B. \$1.50
- C. \$4.50

Answers:

1)–A Greece 2)–C 3)–C 4)–C English word tar. 5)– A 77% 6)–A \$800 7)–B \$1.50

Dance Towards Success

5678! Dance Studio

Ballet, tap, jazz, hip-hop, pointe and tumbling are all classes you can take at 5678! Dance Studio. Melissa Strong opened 5678! Dance Studio in 2000 with about 40 students and now has almost 230 students and 7 instructors. Melissa started teaching out of a church in McCook Lake, and now has a 5000 square foot facility with four studio rooms in North Sioux City at 663 North Derby Lane and a satellite location in the Siouxland Gymnastics Academy building on Line Drive in Sioux City. The studio offers classes for ages 3-18 years of age. Classes include the above as well as performance pom, and competition teams. Some options for adults include Zumba, a cardio latin dance class, which is offered once a week and Yoga classes six times a week.

5678! All Star Competition teams have won numerous first place awards at local, regional, and national competitions. They compete in Pom, Lyrical, Jazz, and Hip-Hop. They travel to Omaha, Sioux Falls, and even as far as Minneapolis, Chicago, and Wisconsin



Delaware to compete.

Melissa Strong was recognized as one of the top 5 National Coaches of the Year this past February at the UPA National Competition in Minneapolis. Melissa has a husband of 12 years, Josh, and two beautiful children, Gracie, age 5 and Bode, age 1.

5678! Dance Studio's end of the year Recital for their 2010-2011 season is May 20th at 6 pm and May 21st at 2 pm at Dakota Valley High School Auditorium. Their next session will be in June and July. Visit them on the web at www.5-6-7-8dancestudio.com or call (605)242-5678 for more information.



All of our clients are special and we are delighted by their accomplishments and want to share them with everyone. We will be featuring some local businesses that we have the privilege of working with in upcoming newsletters. If you would like to see your business in the newsletter, or have a suggestion for a business to feature, please email Cheri at cheri@taxpros-plus.com or give us a call at: 712-277-2834.

PRSRPT STD
US POSTAGE
PAID
SIoux CITY IA 51105
PERMIT 138

TERRY LOCKIE
& ASSOCIATES, P.C.
CPA'S
CONSULTANTS
704 Jackson Street
Sioux City, IA 51105
Phone: 712-277-2834
Fax: 712-277-2164