

2010 Year End Business Client Letter

We are once again writing to remind you of law changes, problem areas, and information we will need to prepare your 2010 business tax return.

Problem Areas

The IRS has placed an increased emphasis in a court case this year on actual physical inventory on hand at December 31. Please make sure to physically count your inventory, retain the records, and provide us with the accurate total **cost** of inventory on hand at December 31, 2008. Do not include consignments you are holding from other people in this number. In the event of an audit you must be able to provide copies of physical count sheets, so we are this year placing an increased emphasis upon obtaining correct year end physical inventory amounts.

We also want to remind you to make sure that your corporate minutes must be maintained on an annual basis-we do not maintain these forms for you, they are maintained by the officers of the corporation. Of course only S and C corporations are required to maintain minutes, LLC's have no such requirement.

Sales tax audits continue to increase. In general you must pay sales tax on any items you purchase that is not re-sold including office supplies, equipment, online and out of state purchases. You need to charge sales tax on any items you sell (not labor if separately stated on the invoice) except for those customers for whom you have a valid exemption certificate on file. Make sure that you file sales tax returns in all states in which you have an office, store, salespeople or other presence.

Tax Return 10-Point Information Needed

As usual we also need the following information to prepare your tax return for this year (Check off as completed):

1. Copies of any new bank loans obtained during the year,
2. Copies of any federal or state tax correspondence received during the year,
3. Copies of any equipment purchase invoices over \$500,
4. Loan payoffs, by loan number, of all business loans at December 31,
5. Copies of your year-end bank reconciliation(s),
6. 12/31/08 Year End Balances of: Accounts Receivable \$_____, Cost of Inventory on Hand \$_____, Unpaid 941 Deposit for December \$_____, Unpaid State(s) Withholding deposits for December \$_____, Unpaid Sales tax for December \$_____, Unpaid wages earned thru 12/31/06 \$_____
7. The enclosed engagement letter needs to be signed and returned,
8. Year end summary of business activity-back up or hard copy (Quickbooks back-up, trial balance, etc.),
9. Sales breakdown by state and city if applicable (Call us to determine),
10. Information on any changes in ownership, stock holding, locations or number of stores.

Remember the password format for documents that we email to you remains the same, peaches.