



December 1, 2010

Dear Client:

In order to assist you and your employees in avoiding possible IRS reporting penalties, we are sending you this 2010 fringe benefits reporting package. As you may know, certain employee fringe benefits are taxable and should be reported on your employee W-2s each year. These include:

- The personal use of company cars
- Group term life insurance coverage over \$50,000
- S corporation shareholder's health insurance

For your convenience, we have enclosed:

- A sample company policy regarding the use of company owned vehicles (Schedule A)
- Worksheets that can be used to calculate the amounts that should be reported on employee W-2s regarding the personal use of company autos (Schedules B, C and D)
- IRS tables that can be used to calculate the taxable portion of group term life insurance coverage over \$50,000 (Schedule E)
- Form 1099 and information reporting

If you have any questions or if you need any assistance in calculating the W-2 amounts; please feel free to call us at (401)272-5600.

Sincerely,

A handwritten signature in black ink that reads 'Sullivan & Company CPAs LLP'.

SULLIVAN & COMPANY CPAs LLP

Schedule A

NAME OF COMPANY

POLICY REGARDING USE OF COMPANY OWNED VEHICLES

It is the policy of the Company to provide you with an auto to be used for business and personal use. However, the value of personal use will be considered compensation. You are required to maintain records of business use (See Schedule B, C and D). The personal use value will be subject to FICA withholding. We have elected to withhold FICA on the basis indicated below:

Circle one:

weekly	bi-weekly	monthly	semi-monthly
quarterly	semi-annually	annually	

Check one:

- The Company has elected to withhold federal and state income tax on the basis indicated above.
- The Company has elected not to withhold federal and state income tax.

During the year the value will be estimated if we elect other than the annual method.

The value of the total annual fringe benefits will be determined by your personal use percentage as it relates to the value of the car. The final amount will be determined by the following method:

Check one:

- Fair Market Value Method
- Annual Lease Value Method (Sch. B)
- Standard Mileage Rate Method (Sch. C)
- Commuting Rule Method (Sch. D)

CERTIFICATE - SIGN IN ONE PLACE ONLY

1. I have read the above auto policy and understand that the value of my personal use of the Company auto will be included as part of my compensation and reported on my 2010 W-2 form. (Computation from Schedule B, C or D).

Employee Signature

Date

2. I agree to repay the Company in 2010 for the value of my personal use of the Company auto. There will be no compensation reported or payroll tax withholding requirements.

Employee Signature

Date

Schedule B

NAME OF COMPANY

**EMPLOYER WORKSHEET
FOR COMPUTATION OF VALUE OF PERSONAL USE OF AUTOMOBILE**

_____/_____/_____
Employee Name Auto Make & Model Date Placed in Service

ANNUAL LEASE VALUE METHOD (For Autos Available 30 Days or More)

Fair market value of vehicle (to be re-determined at the beginning of the fifth year and then each subsequent year thereafter). \$ _____

Annual lease value, per Schedule B 1 \$ _____

Enter number of days during the year that the vehicle was available x _____

Divide by number of days in tax year ÷ _____

Prorated annual lease value _____

Personal use % (See computation below) x _____ %

Personal annual lease value \$ _____

If fuel is provided by employer, enter personal miles _____ x 5 1/2¢ + _____

AMOUNT TO BE INCLUDED ON W-2, UNLESS REPAID \$ _____

Schedule B1**2010
IRS ANNUAL LEASE VALUE TABLE**

Automobile Fair Market Value	Annual Lease Value
\$ 0 - 999	\$ 600
1,000 - 1,999	850
2,000 - 2,999	1,100
3,000 - 3,999	1,350
4,000 - 4,999	1,600
5,000 - 5,999	1,850
6,000 - 6,999	2,100
7,000 - 7,999	2,350
8,000 - 8,999	2,600
9,000 - 9,999	2,850
10,000 - 10,999	3,100
11,000 - 11,999	3,350
12,000 - 12,999	3,600
13,000 - 13,999	3,850
14,000 - 14,999	4,100
15,000 - 15,999	4,350
16,000 - 16,999	4,600
17,000 - 17,999	4,850
18,000 - 18,999	5,100
19,000 - 19,999	5,350
20,000 - 20,999	5,600
21,000 - 21,999	5,850
22,000 - 22,999	6,100
23,000 - 23,999	6,350
24,000 - 24,999	6,600
25,000 - 25,999	6,850
26,000 - 27,999	7,250
28,000 - 29,999	7,750
30,000 - 31,999	8,250
32,000 - 33,999	8,750
34,000 - 35,999	9,250
36,000 - 37,999	9,750
38,000 - 39,999	10,250
40,000 - 41,999	10,750
42,000 - 43,999	11,250
44,000 - 45,999	11,750
46,000 - 47,999	12,250
48,000 - 49,999	12,750
50,000 - 51,999	13,250
52,000 - 53,999	13,750
54,000 - 55,999	14,250
56,000 - 57,999	14,750
58,000 - 59,999	15,250

Schedule B1

Page 2

For vehicles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to:
(.25 x automobile fair market value) + \$500.

Daily Lease Value – For periods of continuous availability of one or more but less than 30 days, the Daily Lease Value must be used. The Daily Lease Value equals the Annual Lease Value multiplied by a fraction, the numerator of which is four times the number of days of availability and the denominator of which is 365.

Schedule D

NAME OF COMPANY

**EMPLOYER WORKSHEET
FOR COMPUTATION OF VALUE OF PERSONAL USE OF AUTOMOBILE**

COMMUTING RULE METHOD

_____/_____/_____
Employee Name Auto Make & Model Date Placed in Service

This method may only be used for vehicles covered by a written policy that allows commuting but no other personal use. DO NOT USE if employee is a 1% or more owner, a director, or an officer with compensation of \$95,000 or more, or an individual with compensation equaling or exceeding \$195,000 in 2010.

Number of personal commuting trips (one way per person) _____ x \$1.50 = \$ _____

I understand the Company's auto use policy is to provide me an auto for business purposes only. The Company allows me to drive to and from work in this auto. I have evidence (auto log or diary) to support the fact that the only use of the auto, described above, was for personal commuting (to and from work). I understand that the above value for commuting will be added to my 2010 W-2.

Employee Signature

Date

Schedule E

2010
IRS GROUP-TERM LIFE INSURANCE
PREMIUM TABLE

The following table sets forth the cost of \$1,000 of group-term life insurance for 1 month and for a year computed on the basis of 5-year age brackets. For purposes of Table I, the age of employee is the attained age on the last day of the year.

TABLE I – UNIFORM PREMIUMS FOR \$1000 OF
GROUP-TERM LIFE INSURANCE PROTECTION

5-YEAR AGE BRACKET	COST PER \$1,000 OF PROTECTION FOR 1-MONTH PERIOD	COST PER \$1,000 OF PROTECTION FOR THE YEAR
Under 25	\$0.05	\$0.60
25 to 29	\$0.06	\$0.72
30 to 34	\$0.08	\$0.96
35 to 39	\$0.09	\$1.08
40 to 44	\$0.10	\$1.20
45 to 49	\$0.15	\$1.80
50 to 54	\$0.23	\$2.76
55 to 59	\$0.43	\$5.16
60 to 64	\$0.66	\$7.92
65 to 69	\$1.27	\$15.24
Age 70 and over	\$2.06	\$24.72

2010
FORM 1099 AND INFORMATION REPORTING

For Non-Employee Compensation

As you know, you are required to file Forms 1099-MISC for rent payments of \$600 or more, and payments of \$600 or more for services performed by unincorporated companies or individuals not treated as employees. If the unincorporated company is a partnership, you must report the partnership's name, address, and federal identification number. In all other cases, you must report the individual's name on the first line, and you may enter the business name on the second line. For the taxpayer identification number, you may enter either the individual's Social Security number or the employment identification number of the business for sole proprietorships, but the IRS prefers that you enter the Social Security number. Gross proceeds on payments of \$600 or more to attorneys must be reported regardless if the attorney is incorporated or not.

Form W-9 (Request for Taxpayer Identification Number and Certification) should be sent to those companies or individuals whose federal identification or Social Security numbers you do not have on file. You should have W-9s on file for all vendors.

You are also required to file Form 1099-INT for any taxpayer (excluding corporations, tax-exempt organizations, etc.) for interest paid, not accrued, which totals \$10 or more.

All owner-employees of "S" Corporations must include medical benefit premiums paid on their behalf by the corporation on their W-2s. These benefits are not subject to Social Security or Medicare tax.

The payee's copy of the 1099 form must be mailed to the payee by January 31, 2011. The IRS copy of the 1099 form is reported to the IRS along with a 1096 transmittal report that summarizes the 1099 information. All New England states and New York mail their forms to Department of the Treasury, IRS Service Center, Austin, TX 73301. As in the past, it is vital that these information returns be filed with the IRS by February 28, 2011, and that they include complete and correct information. Failure to file on time or to include correct Social Security or federal identification numbers, and other required information will result in a penalty imposed by the IRS, generally \$15 to \$50 for each information return.

Information for 2011 and 2012 1099 reporting

Under current law, payments after December 31, 2010 made by persons receiving rental income from real estate are required to file a form 1099 for payments of \$600 or more. This is a change from prior law which required that payments made in the course of a trade or business were subject to form 1099 reporting, not payments made by lessors of rental real estate.

Effective for payments of \$600 or more after December 31, 2011, a form 1099 must be filed for amounts paid in consideration of property as well as services. Payments to corporations are also required to be reported after December 31, 2011.

Foreign Financial Account Reporting

Civil penalties are imposed for failing to properly report certain foreign financial accounts. The disclosures include filing Form TDF 90-22.1 and disclosing the fact that an individual has signatory authority over a foreign account on Schedule B of their individual income tax return. Any employee with such authority should be notified of their requirements to disclose.