

THIS MONTH:

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Employer Contribution to Employee Education

Do you have an employee who you would like to see further their education? It may not be as tough as you think to help them meet that goal.

Employers may give up to \$5,250 on a tax-free basis to an employee for educational assistance. This includes education assistance that is employer provided for graduate-level courses, like programs normally pursued by an individual seeking an education leading to a law, business, medical, or other advanced academic or professional degree.

A written plan must provide guidelines for the assistance, which must be publicized to all of your employees, and must meet a number of conditions. These include nondiscrimination requirements, meaning it cannot benefit highly compensated employees.

Any amount of the employees income used as education assistance may not be taken as a deduction or credit by the employee.

For more information, contact your Padgett Office today.

Summertime Child Care Expenses May Qualify for a Tax Credit

Did you know that your summer day care expenses may qualify for an income tax credit? Many parents who work, or are looking for work, must arrange for care of their children under 13 years of age during the school vacation. Those expenses may help you get a credit on next year's tax return.



Here are five facts the IRS wants you to know about a tax credit available for child care expenses. The Child and Dependent Care Credit is available for expenses incurred during the lazy hazy days of summer and throughout the rest of the year.

1. The cost of day camp may count as an expense towards the child and dependent care credit.
2. Expenses for overnight camps don't qualify.
3. If your childcare provider is a sitter at your home or a daycare facility outside the home, you'll get some tax benefit if you qualify for the credit.
4. The actual credit can be up to 35 percent of your qualifying expenses, depending upon your income.
5. You may use up to \$3,000 of the unreimbursed expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals to figure the credit.

For more information on Child and Dependent Care Expenses, contact your Padgett Office today.



Tanning Services Tax Q&A

Q. Who must pay the indoor tanning services tax?

A. Indoor tanning service providers are responsible for collecting the tax from the person paying for the service and in some situations, from the person receiving the service.

Q. If the tax isn't collected from the person paying for the service, or for an undesignated payment from the person redeeming the gift card, then who is liable for the tax?

A. The person receiving the payment for the indoor tanning service (usually, the provider of the service) is liable.

Q. Who must report the tax to the government?

A. The person receiving the payment for the indoor tanning service must report the indoor tanning services tax.

Q. How do I report and pay the tax due the indoor tanning services tax?

A. Report and remit the full amount of the indoor tanning services tax on a timely-filed Form 720, Quarterly Federal Excise Tax Return. Excise tax deposits are not required for the tax on indoor tanning services.

Q. If an invoice includes other goods and services in addition to indoor tanning services, how are the non-tanning services handled?

A. The service provider doesn't calculate tax on non-tanning services, as long as the fair market value of all goods and services are

listed separately on the invoice.

Q. How do I handle a transaction (such as the sale of a gift certificate) when I can't determine at the time of sale what, if any, portion of the gift certificate will be redeemed for an indoor tanning service?

A. Payments (such as the sale of a gift certificate) received in exchange for unspecified services aren't subject to tax at the time of payment. When the holder of the gift certificate exchanges the gift certificate for indoor tanning services, the provider will determine and collect any tax due on the indoor tanning services.

Q. If a customer redeems a gift card but doesn't use it for indoor tanning services, is the indoor tanning tax applicable?

A. No, the tax does not apply in this situation.

Q. If a customer purchases a gift card for indoor tanning services, pays the tax and doesn't use the card, is the purchaser entitled to a refund of tax?

A. No, there is no provision for refunding the tax once the service for indoor tanning services is purchased.

Q. What are the requirements for keeping records for indoor tanning services?

A. As with any other tax return, the tanning service provider must maintain adequate books and records showing the amount of revenue received for indoor tanning services.



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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.