

2008 Cost-of-Living Limits

IRA Contribution Limit \$5,000

IRA 50 & Over Catch-up Contribution
\$1,000

401(k) deferral limit \$15,500

401(k) 50 & Over Catch-up Contribution
\$5,000

SIMPLE Deferral limit \$10,500

SIMPLE 50 & Over Catch-up
Contribution \$2,500

Annual Compensation limit \$230,000

Defined Contribution IRC Sec 415 limit
\$46,000

Compensation limit for SEP eligibility
\$500

IRC Section 179 \$250,000

Estate Tax Exclusion \$2,000,000

Social Security Wage Base \$102,000

[2008 & Prior Years' Limits](#)

2008 Standard Mileage Rates:

Business mileage rate \$0.505/mile before July 1
and **\$0.585 after June 30**

Medical & Moving mileage rate \$0.19/mile
before July 1 and **\$0.27 after June 30**

Charitable mileage rate \$0.14/mile

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Have a Question?

If you have a subject or question that you would like covered, or comment, please email us at jenny@jajonescpa.com

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Client Newsletter

July 2008

New IRS Program to Identify Misclassified Workers: The IRS is starting an electronic matching program to find employers that misclassify workers as independent contractors rather than as employees. This program will target for audit employers that are issuing 1099s to five or more workers whose annual pay is at least \$25,000, and these workers have no other source of earned income. The current rules make it almost impossible to justify that a worker is an independent contractor, especially when he or she only works for one employer.

Single-Member LLCs using the Proprietor's FEIN: Previously, when a proprietor converted his/her business to an LLC, but continued to report his/her business on Schedule C, he/she could elect to continue to report payroll under the FEIN of the proprietorship. Effective January 1, 2009, this will no longer be true. The LLC's payroll must be filed under the LLC's FEIN. This may require the establishment of new payroll accounts to place into operation for 2009.

Tax Gap: IRS research indicates that understated business income contributes significantly to the tax gap, with the majority understated by small businesses under-reporting their gross income. This conclusion will lead to more focus on and possible audits of small businesses. See fact sheet [FS-2008-20](#) to better understand your reporting obligations at <http://www.irs.gov/newsroom/article/0,,id=182821,00.html>

Recordkeeping for Cell Phones: The last newsletter provided details for the recordkeeping requirements for businesses regarding their cell phones. On April 15, the U.S. House of Representatives passed the "Taxpayer Assistance and Simplification Act of 2008." This bill faces a veto threat from the White House because of provisions the Bush administration says would impose new administrative burdens on trustees of Health Savings Accounts and would repeal IRS's authority to use private debt collectors. However, it does include two provisions the accounting profession has strongly urged Congress to adopt. One provision would restore the proper relationship between tax return preparers and taxpayers by equalizing disclosure standards. The other would free businesses from onerous recordkeeping requirements for cell phones.

Legislation is the only way to correct the flawed law passed by Congress in May 2007 that raised the tax return reporting standards for tax return preparers to a level higher than that required of taxpayers." These unequal thresholds create the potential for conflicts of interest between preparers and their clients, and consequently could affect the nature of taxpayers' representation. The cell phone provision of HR 5719 would remove cell phones and similar telecommunications equipment from the definition of "listed property" in the Internal Revenue Code, and would lift these burdensome rules off taxpayers.

Greening of Your Office: The Associated Builders and Contractors – Virginia Chapter Green Building Council has compiled guidelines to help your company reduce waste, and conserve resources, energy and water.

Mid-Year Tax Planning: There have been three new tax laws already this year, and there will probably be more. Mid-year is a good time to take a few moments to see if you can take advantage of any new or old tax breaks. Click on title for more.

New Mileage Rates as of July 1, 2008: check the side panel. For those that use the standard mileage rates, you'll need to track your mileage for January 1 through June 30, and from July 1 through December 31.

[Previous Articles and Newsletters](#)

Depreciation and Sec 179 Deductions

1st Year depreciation limits for 2008:

Passenger Autos	Light SUVs, Trucks & Vans
\$2,960	\$3,160
Plus 50% Bonus Depreciation \$8,000	

Vehicles over 6,000lbs unloaded GVW
\$25,000

Vehicles over 14,000 lbs. unloaded GVW
\$250,000

What records must I keep and for how long?

Check out these IRS publications to help answer your questions about what records need to be kept.

Social Security

Wage Base for **2008 \$102,000**

In 2008, Retirees under 65 may earn up to \$13,560 (\$1,130 a month). For each \$2 earned over the amount for the year, the retiree loses \$1 in benefits. Retirees turning 65 in 2008 can earn up to \$36,120 in the year without losing benefits, counting only earnings before the month they turn 65. For each \$3 earned over this limit, the retiree loses \$1 in benefits. There is no earnings limit if you are 65 or over, effective January 1, 2000.

As you work and pay Social Security taxes, you earn "Credits", up to a maximum of 4 for each year. The amount of earnings it takes to earn a credit changes each year. In 2008, you earn one credit for each \$1,050 of your earnings. So if you have earned at least \$4,200 during the year, you get the maximum 4 credits. If you employ family members, you may want to be sure to pay them at least this amount so they earn their credits.

See www.ssa.gov for more info on Social Security and www.cms.hhs.gov for info on Medicare and Medicaid

Full Retirement Age for Social Security Benefits

Date of Birth	Full Retirement Age
1937 or earlier	65 years
1938	65 years + 2 months
1939	65 years + 4 months
1940	65 years + 6 months
1941	65 years + 8 months
1942	65 years + 10 months
1943-1954	66 years
1955	66 years + 2 months
1956	66 years + 4 months
1957	66 years + 6 months
1958	66 years + 8 months
1959	66 years + 10 months
1960 or later	67 years