

2009 Cost-of-Living Limits

IRA Contribution Limit \$5,000

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

401(k) deferral limit \$16,500

401(k) 50 & Over Catch-up Contribution
\$5,500

SIMPLE Deferral limit \$11,500

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

Annual Compensation limit \$245,000

Defined Contribution IRC Sec 415 limit
\$49,000

Compensation limit for SEP eligibility
\$550

IRC Section 179 \$125,000

Estate Tax Exclusion \$3,500,000

Social Security Wage Base \$106,800

[2008 & Prior Years' Limits](#)

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Client Newsletter

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2008 Tax Law Changes and 2009 Proposals: In addition to tax law provisions passed in prior years that affect your 2008 returns, we've had a multiple of major tax law changes this year with many provisions that may help reduce your tax bill. A recap of the 2008 tax law changes & some proposed changes for 2009 follows:

- The Economic Stimulus Act of 2008: [Click Here](#) for highlights
- The Housing and Economic Recovery Tax Act of 2008: [Click here](#) for the highlights of its tax provisions. To read CCH Tax Briefing, [click here](#).
- The Emergency Economic Stabilization Act: [Click here](#) for CCH Tax Briefing
- Obama's Proposed Tax Law Changes: [Click here](#) for CCH Tax Briefing

DC's New General Business License: As of 11-1-08, DC requires that all businesses that pay business taxes in DC also have a valid DC Basic Business License (BBL). Virginia businesses' deadline for filing is based on your billing address. For Citities A-F the application is due 7-31-09, for G-Z 8-30-09. The BBL EZ-Form is available online at dcra.dc.gov. For more information, also see the following websites

<http://dcra.dc.gov/dcra/cwp/view.a.1343.q.641497.asp> and
<http://dcra.dc.gov/dcra/cwp/view.a.1411.q.641504.asp>

Documentation is Everything for Business Auto Deductions: Two recent rulings emphasize the importance of mileage logs and need to meet of the vehicle expense substantiation requirements of IRC Sec 274(d). In *Cottrell Sr. v. Commissioner*, T.C. Summ. OP. 2008-101 and *Larson v. Commissioner*, T.C. Memo. 2008-187, both taxpayers lost some or all of their vehicle expense deductions due to the lack of proper documentation. As a general rule, you should record all of the following information in your mileage log: date, place, business purpose, person(s) involved and business relationship, and amount spent/mileage involved. In addition to maintaining a mileage log that documents this information, if you want to claim the use of the actual-expense method, you must also have the total mileage the vehicle was driven in the year, documentation for the cost of gas, oil, tires, repairs, insurance, etc. **You need to record your odometer reading on January 1st** each year to determine your total mileage. Estimates are not acceptable.

Maximizing Your Deductions for Business Meals: Most business owners are aware of the tax rule that disallows 50% of their otherwise allowable deductions for business meals. This provision normally applies regardless of the reason for the meal—from taking clients out to dinner to paying for your meals while traveling away from home. What is not nearly as widely known is that there are several exceptions to this 50% disallowance rule. When one of these exceptions applies, you generally get a 100% deduction for the business meal expenses—which might just make even a good meal taste that much better. Here's a quick run down of the major exceptions to the disallowance rule. [Click here](#).

Expiring Tax Breaks: Here are several excellent tax breaks that are due to expire on December 31, 2008. **Sec 179 Expensing** is double the regular limit to a maximum of \$250,000 for equipment placed into service by 12-31-08. **The 50% Bonus Depreciation** deduction is available for assets placed into service with a depreciable life of 20 years or less (e.g., machinery and equipment, computers, land improvements and leasehold improvements to the interior of commercial buildings). **Cars** have a maximum write off of \$10,960, and light trucks, vans & SUVs \$11,160 if placed into service in 2008. **SUVs over 6,000 lbs. GVW** can take a \$25,000 Sec 179 deduction, plus 50% bonus depreciation on the remaining basis, plus 20% on the remaining basis after the bonus depreciation. So a \$50,000 SUV can get the Sec 179 deduction of \$25,000, plus the 50% Bonus Depreciation of \$12,500 plus 20% regular depreciation of \$2,500, for a total of \$40,000. Caution, if more than 40% of the year's new assets are placed into service during the last quarter, the mid-quarter (not the half-year) convention needs to be used for all new assets.

Charitable Contributions: Cash contributions are not deductible without a written receipt from the organization or a bank record reflecting the donation, regardless of the amount. Contributions for \$250 or more still require additional documentation. For more information on these requirements, [click here](#).

LLCs: Single member/single owner limited liability companies that have not elected to be treated as corporations may be required to change how they report wages and pay federal employment taxes in 2009. [See IRS Headliner 592](#)

[Previous Articles and Newsletters](#)

2008/2009 Standard Mileage Rates:

Business mileage rate \$0.505/mile before July 1 and

\$0.585 after June 30, 2008; 2009 \$0.55

Medical & Moving mileage rate \$0.19/mile before

July 1 and **\$0.27 after June 30, 2008; 2009 \$0.24**

Charitable mileage rate \$0.14/mile 2008 and 2009

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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

Gifts to Employees and Company Parties

Here's a tip from [The General Ledger](#) newsletter.

Nontaxable gifts. Fruit baskets, hams, turkeys, wine, flowers and *occasional* entertainment tickets, such as to a show or sports event, generally are nontaxable as *de minimis* fringe benefits.

Taxable gifts. Gift certificates (“cash in kind”) are wages subject to FIT, FITW, FICA, and FUTA—even for a *de minimis* item. For example, a gift certificate for a turkey is taxable even though the gift of a turkey is not. **Cash gifts of any amount are wages subject to all taxes and withholding.** [26 CFR 1.132-6(e); TAM 200437030]

Parties and picnics. The cost of occasional parties is nontaxable to employees and their families as a *de minimis* fringe—if they are infrequent and for the purpose of promoting employee health, goodwill, contentment, or efficiency. Examples: occasional holiday celebrations, cocktail parties and company picnics. Such parties are fully deductible to the business (they are not subject to the 50% limit on business meals). [IRC §132]

For additional details, also see

<http://www.jajonescpa.com/articles/giftstoemployees.pdf>

Reporting Fringe Benefits

In addition to the taxable gifts discussed above, certain other fringe benefits must be reported on the employees' W-2 forms, Form 941 and Form 940. The most common types of fringe benefits that have special reporting requirements include:

- 1) **Nonaccountable plan reimbursements and advances,**
- 2) **Dependent Care benefits**
- 3) **Employer-provided cell phone compensation**
- 4) **Employer provided vehicle compensation**
- 5) **Qualified moving expenses**
- 6) **Health Savings Account contributions**
- 7) **401(k) contributions**

Certain other fringe benefits are exempt from taxation, if they meet certain requirements, and are not reported on the W-2. In order for some of these benefits to be exempt, the employer may be required to have written plan documents and may need to meet non-discrimination rules. If these benefits do not meet these tests, they are taxable compensation and are reportable as income to the employee. These benefits include:

- 1) **working-condition fringes, e.g. job training, long-distance calls, faxes**
- 2) **de minimus fringe benefits, e.g. holiday turkeys or ham**
- 3) **qualified employee discounts**
- 4) **no-additional cost services**

[Click here](#) to see the AIPB's 2008 Payroll guidelines for more information.

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	

Social Security

Wage Base for **2009 \$106,800**

In 2009, Retirees under 65 may earn up to \$14,160 (\$1,180 a month). For each \$2 earned over the amount for the year, the retiree loses \$1 in benefits. Retirees turning 65 in 2009 can earn up to \$37,680 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 2009, you earn one credit for each \$1,090 of your earnings. So if you have earned at least \$4,360 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

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.