

## 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](#)

# JENNIFER A. JONES, CPA, LTD.

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**Housing and Economic Recovery Tax Act of 2008:** On July 30<sup>th</sup>, 2008, President Bush signed another tax law. This law includes a new refundable tax credit for first-time homebuyers; an additional standard deduction for state and local real property taxes paid in 2008, limitations on the exclusion of gain from the sale of a principal residence, protection of identities in real estate transactions, and requires information reporting on credit card transactions. [Click here](#) for the highlights of its tax provisions. To read CCH Tax Briefing, [click here](#).

**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.

**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](#).

**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.

**Payroll Tax Enforcement:** After being criticized in a GAO report, the IRS has promised to step up enforcement of payroll tax liabilities of small businesses in an aggressive and timely manner. These measures will probably include faster imposition of liens, and more penalties assessed.

**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. For more information on these requirements, [click here](#).

[Previous Articles and Newsletters](#)

**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](mailto:jenny@jajonescpa.com)

### **Depreciation and Sec 179 Deductions**

1<sup>st</sup> 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](http://www.ssa.gov) for more info on Social Security and [www.cms.hhs.gov](http://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