

## 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 \$128,000  
Estate Tax Exclusion \$2,000,000  
Social Security Wage Base \$102,000  
[2007 & Prior Year's Limits](#)

## **2007 Standard Mileage Rates:**

Business mileage rate \$0.485/mile  
Medical & Moving mileage rate \$0.20/mile  
Charitable mileage rate \$0.14/mile

## **TO CONTACT US:**

Jennifer A. Jones, CPA, Ltd.  
10615 Judicial Drive, Suite 701  
Fairfax, Virginia 22030

Phone: 703-352-1587  
Fax: 703-352-1927

**VISIT OUR  
WEBSITE AT:**

<http://www.jajonescpa.com/>

**TO EMAIL US:**

[Jennifer A. Jones, Certified Public Accountant](mailto:Jennifer.A.Jones@jajonescpa.com)  
[Patricia \(PA\) Moss, Enrolled Agent](mailto:Patricia.Moss@jajonescpa.com)  
[J. Randolph Shull, Certified Professional Advisor](mailto:J.Randolph.Shull@jajonescpa.com)

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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)

# JENNIFER A. JONES, CPA, LTD.

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Client Newsletter

November 2007

**It's Time for Year-End Tax Planning:** We've already seen one major new tax law this year (the fourth one in a 13-month period), and we will almost certainly see another before year-end. Although the current federal income tax environment is actually quite favorable, now is the time to take advantage of the tax breaks before they are taken away or expire. This article presents planning ideas to consider: some of the ideas may apply to you, some to family members, and others to your business.

**Kiddie Tax Changes for 2008:** In the case of a child who will be 18 or older on 12/31/07, it may actually be beneficial to accelerate gains and income into 2007. Starting next year, different strategies must be employed to avoid or minimize the Kiddie Tax. So, anyone with a child under the age of 24 as of 12/31/08 should review the new rules.

**Employee Use of Company Vehicle:** Any fringe benefit you as an employer provide to your workers is taxable income to the recipient unless the law specifically excludes it. This rule applies to any person who performs services for you and may be an employee or an independent contractor. The most common taxable fringe benefit is probably the personal use of a company vehicle when a worker is permitted to take a company vehicle home at night, using it to commute to and from work. Unless the vehicle is a Qualified Nonpersonal-use Vehicle, the fair market value of the personal use of the vehicle must be included in the recipient's income and reported on the recipient's Form W-2 or Form 1099-MISC. There are several methods to compute the fair market value of this benefit and, for an employee, this benefit is subject to FICA taxes and withholding for income taxes. The computation and inclusion in the recipient's income must be reported at least annually. If you haven't already made this computation and included in your worker's income for 2007, now is the time to do so. To review the rules in regards to these items, see IRS Pub 15-B at <http://www.irs.gov/pub/irs-pdf/p15b.pdf>

**Review and Adjust Your Withholdings:** This is a good time to review your year-to-date withholdings to determine if your employer has either significantly under-withheld or over-withheld your income taxes for 2007. If you are significantly under-withheld, you risk being hit with an interest rate penalty (under IRC Sec. 6654). If you are significantly over-withheld, you are effectively making an interest-free loan to the government at a time when decent rates can be earned from CDs and money market accounts. For more information, [click here](#).

**Health Savings Accounts:** Health Savings Accounts (HSAs) were created by the Medicare bill signed by President Bush on December 8, 2003, and are designed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis. For a general overview of how these accounts work, [click here](#). For more detailed information, check out the FAQs and information available at <http://www.treas.gov/offices/public-affairs/hsa/faq.shtml> and also the booklet at [http://www.treas.gov/offices/public-affairs/hsa/pdf/all-about-HSAs\\_051807.pdf](http://www.treas.gov/offices/public-affairs/hsa/pdf/all-about-HSAs_051807.pdf)

**IRS Targets Individual Returns for Audit:** The IRS has launched a research project that will audit thousands of individual taxpayers. The National Research Program project, announced in a news release (IR-2007-113), began in October 2007 and will initially audit about 13,000 individuals for tax year 2006. The audits will focus on those parts of the individual return that cannot be verified through third-party information reporting. For more information on this issue, go to: <http://www.irs.gov/newsroom/article/0,,id=171023,00.html>

**[Previous Articles and Newsletters](#)**

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

1<sup>st</sup> Year depreciation limits for 2007:

Passenger Autos	Light SUVs, Trucks & Vans
\$3,060	\$3,260

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

Vehicles over 14,000 lbs. unloaded GVW  
\$125,000

### 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.

**Protecting Yourself from Identity Theft:** check out the tips to protect yourself at

[http://www.nclc.org/issues/seniors\\_initiative/identity\\_theft.shtml](http://www.nclc.org/issues/seniors_initiative/identity_theft.shtml)

### 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. No limit if 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