

## 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 \$250,000

Estate Tax Exclusion \$3,500,000

Social Security Wage Base \$106,800

[2008 & Prior Years' Limits](#)

# JENNIFER A. JONES, CPA, LTD.

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**Year-End Income Tax Planning:** As the end of the calendar year approaches, it is always a good idea to stop and review your income tax situation, how you can use the tax law to your advantage and take any steps necessary before the end of the year. To review the basics, [click here](#). Want to take advantage of the 2009 waiver of the Required Minimum Distributions rules, but already received your RMD? Check out the relief provisions of Section IV, [click here](#).

**Adjust Your Withholdings?** Because of the new withholding tables under the American Recovery and Reinvestment Act, some employees might want to adjust their 2009 FITW by submitting a new W-4 now. The Act reduced FITW to reflect the Make Work Pay tax credit. But for some employees, that adjustment may result in paying less than the required 90% of FIT by Dec. 31, 2009, which may lead to penalties.

Employees most likely to have too little withheld under the new tables are:

- two-earner married couples;
  - individuals with more than one job;
  - a dependent on another's tax return (they are not eligible for the credit, but employers withhold as though they were);
  - those receiving a pension; and
  - individuals also receiving Economic Recovery Payments (they are not eligible for the credit, but employers withhold as though they were).
- Click on title for more information and details

**Estate and Estate Tax Planning:** Along with income tax planning, now is a good time to review your estate plan. Make sure you have reviewed the basics:

- Who do you want to inherit your assets?
- Do you need a will? Is a revocable trust better for you?
- How are your assets titled? Will the assets go where you intend?
- Who are the beneficiaries of your life insurance, IRAs, pension?
- Are you subject to estate taxes? Are they minimized?
- Who will handle things for you?
- Are guardians named for minor children, custodians named for their finances?
- Do you have a medical directive, living will, power of attorney?

**Estate Planning in the Digital Age:** Do you have email accounts, receive bills online, keep financial info and tax returns digitally, have online sales accounts, webpages, blogs, social networking accounts, domain names, IP rights, online video games, and/or accounts in virtual worlds? The need to deal with passwords and digital property at death or incapacitation requires additional planning, and the failure to plan can make it practically impossible to locate and access certain types of digital property. Your estate planner can assist you in performing a digital audit. This audit should include the preparation of a written or electronic list of accounts, passwords and other key information outlining what digital accounts and records exist, where digital information is kept, how to access, etc. This information then needs to be stored in a secure location, perhaps at your attorney's office or in a safe deposit box.

**Tax Compliance:** The IRS Estate and Gift Tax Program recently started working with state and county authorities in several states to determine if real estate transfers reported to the local governments are unreported gifts. Although a tax may not be due, a gift tax return may be required for real estate transfers above the annual exclusion amount. Penalties will be considered on all delinquent taxable gift returns filed.

**IRS Tax Tips:** IRS issues helpful tax tips on a variety of subjects, from recordkeeping, first-time homebuyer credits, vehicle sales tax deductions, small business issues, protection from identity theft, documentation needed to deduct donations, tax scams.

**Virginia Tax Amnesty Program:** During the 60 day period of Oct. 7 to Dec. 5, 2009. For amnesty eligible tax assessments or delinquent return liabilities, all penalties and one half of the accrued interest will be waived upon payment of the full amount of the tax and one half of the amount of accrued interest due. For more info, click on title.

## **2009 Standard Mileage Rates:**

Business mileage rate **\$0.55**

Medical & Moving mileage rate **\$0.24**

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)

[Previous Articles and Newsletters](#)

## 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>

and

<http://www.jajonescpa.com/articles/businessgifts.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) **Non-accountable 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 minimis* 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.**