

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](#)

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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 that will expire November 30th, [click here](#).

Keep Up-to-Date Auto Logs: If you use your car for business, it is essential that you maintain a contemporaneous log. IRC Regulations require not only adequate records that substantiate vehicle expenses, but also that these be made at or near the time of the expense or use. A reconstructed log does not meet this requirement, as seen in this recent case.

F was a part-time soccer coach who traveled to other states. He drove his car and truck, deducting expenses for both based on the number of miles driven for business. F submitted a spreadsheet of miles driven, specifying mileage related to coaching and schedules of the team's games, practices and tournaments.

The IRS denied all the mileage deductions and the dispute landed in court, where F admitted that the mileage was not recorded at the time he had driven but reconstructed sometime after. IRC Regulations require not only adequate records that substantiate vehicle expenses, but also that these be made at or near the time of the expense or use. The reconstructed log did not meet this requirement, and the court did not accept F's estimates. [Fuentes v. Commissioner, T.C. Summ. Op. 2009-39]

If you claim your actual auto expenses rather than the standard mileage deduction, you also need to have a record of your total mileage the vehicle was driven in the year. So remember on each January 1st to write down your odometer reading so you can determine the total mileage for the year.

Get Ready for the 2010 Roth Conversion Opportunity: There are too many variables and assumptions to have a blanket answer as to whether you should convert your Traditional IRA to a Roth IRA. But if your primary goal is wealth accumulation rather than retirement income, you have funds outside of the IRA to pay the taxes on the conversion, and you believe your current tax bracket is lower than your future tax bracket, then the Roth conversion may be right for you. There are several excellent articles and online tools to help make the right decision. See this article from the Journal of Practical Estate Planning <http://tax.cchgroup.com/images/FOT/JPEP%20Roth%20IRA%20Conversion.pdf> or this one from the Journal of Retirement Planning http://tax.cchgroup.com/images/fot/JORP_10-03-07_Keebler-Bigge.pdf One online tool is Fidelity's Roth Conversion Evaluator that can be found at: <http://personal.fidelity.com/misc/framesets/iwarticle.shtml?pagename=VP091102rothevaluator>

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.

Virginia Tax Amnesty Program: Expires 12-5-09! 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.

Happy Holidays!

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

[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 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.