

2007 Cost-of-Living Limits

IRA Contribution Limit \$4,000

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 \$225,000

Defined Contribution IRC Sec 415 limit
\$45,000

Compensation limit for SEP eligibility
\$500

IRC Section 179 \$125,000

Estate Tax Exclusion \$2,000,000

Social Security Wage Base \$97,500

[Prior Year's Limits](#)

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Client Newsletter

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Roth 401(k) Plans: Now that the Roth 401(k) provisions have been made permanent, there has been a rapid growth of employers adopting these provisions for their 401(k) plans. Workers need to evaluate their choice between the traditional 401(k) and the Roth 401(k). [Click here for more info.](#)

Wealth Management: Whether you call it wealth management, financial planning, or tax planning, each year you should evaluate your strategies, their effectiveness, and available opportunities to maximize your savings potential. ["Tune Up for High-Performance Wealth"](#) provides a checklist of key points.

Qualified Long-Term Care Insurance Tax Advantages: If you are over-50, you probably should consider buying long-term care insurance, but it's not cheap and it's only partially deductible, so it's a bitter pill to swallow. Here's a way for your business to get the coverage you need with fully deductible premiums. It may be just what the doctor ordered.

Mid-Year Tax Planning Ideas: We've already seen one major new tax law this year (the fourth one in a 13-month period), and stay tuned, because we will almost certainly see more before year-end. Despite confusion created by these repetitive law changes, the current federal income tax environment is actually quite favorable. Now is the time to take advantage of the tax breaks that Congress has provided before they are taken away. This article presents planning ideas to consider: some of the ideas may apply to you, some to family members, and others to your business.

VA Tax Legislation Update: Effective for 2009 and after, the annual deduction for contributions to the VA College Savings Plan will be increased from \$2000 to \$4000 per contract. Two additional Sales Tax holidays are established: a 4-day holiday in October for Energy Star qualified products purchased for noncommercial or personal use with a sales price of \$2500 or less per item; and a 7-day period in May for Hurricane Preparedness equipment. Beginning in 2008, employers required to file form VA-5 for withholding taxes will need to file and pay by the 25th of the following month for all months.

Planning for 2010's Roth IRA Conversion Decision: In January 2010, the world of IRA planning will change dramatically when the qualifying income limitations are eliminated, and everyone will be wondering the same question, "Should I convert my Traditional IRA to a Roth IRA?" This is not an easily answered question. In their article in the May-June 2007 Journal of Retirement Planning, Robert S. Keebler and Stephen J. Bigge offer several case scenarios for people of varying ages and circumstances, and provide helpful spreadsheet analyses to take you through strategic, tactical, opportunistic and hedging conversions. For access to the article see http://tax.cchgroup.com/images/fot/JORP_10-03-07_Keebler-Bigge.pdf

IRS To Target Individual Returns for Audit: The IRS has decided to launch a research project that will audit thousands of individual taxpayers aimed to update the agency's audit selection process. The National Research Program project, announced in a news release (IR-2007-113), will begin in October 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](#)

2007 Standard Mileage Rates:

Business mileage rate \$0.485/mile

Medical & Moving mileage rate \$0.20/mile

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

Depreciation and Sec 179 Deductions

1st 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

Social Security

Wage Base for 2007 \$97,500

Retirees under 65 may earn up to \$12,960 (\$1,080 a month). For each \$2 earned over the amount for the year, the retiree loses \$1 in benefits. Retirees turning 65 in 2007 can earn up to \$34,440 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 2007, you earn one credit for each \$1,000 of your earnings. So if you have earned at least \$4,000 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.

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

http://www.nclc.org/issues/seniors_initiative/identity_theft.shtml

