

Newsletter

JANUARY 2009

Note these tax deadlines

It's time to file various tax returns once again. Among the tax deadlines you may be required to meet in the next few months are the following:

- **January 15** – Due date for the fourth quarterly installment of 2008 estimated taxes for individuals unless you file your tax return and pay any taxes due by February 2.
- **February 2** – Employers must furnish 2008 W-2 statements to employees. Payers must furnish payees with Form 1099s for various payments made. The deadline for providing Form 1099B and consolidated statements to customers is extended to February 17.
- **February 2** – Employers must generally file annual federal unemployment tax returns.
- **March 2** – Payers must file information returns, such as Form 1099s, with the IRS. This deadline is extended to March 31 for electronic filing.
- **March 2** – Employers must send Form W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing.
- **March 2** – Farmers and fishermen who did not make 2008 estimated tax payments must file 2008 tax returns and pay taxes in full.
- **April 15** – Individual income tax returns for 2008 are due.

IRS releases inflation-adjusted tax numbers for 2009

The IRS adjusts many tax numbers for inflation each year. Other numbers change as a result of tax law revision. In your tax planning for 2009, take the following changes into account:

- The maximum earnings subject to social security tax increases to \$106,800 for 2009. As before, all earned income (wages and self-employment income) is subject to Medicare tax. The social security earnings limit for retirees under full retirement age increases to \$14,160. There is no earnings limit for those who have reached full retirement age.
- The top estate tax rate remains at 45%, but the exemption amount increases to \$3.5 million for 2009. The annual gift tax exclusion increases to \$13,000 per donee.
- The nanny tax threshold increases to \$1,700 for 2009. If you pay household workers more than this amount during the year, you're responsible for payroll taxes.

- The kiddie tax threshold increases to \$1,900. If your child has more than \$1,900 of unearned income in 2009 (e.g., dividends and interest income), the excess could be taxed at your highest rate if your child is under age 19 (under age 24 if the child is a full-time student).
- The first-year business equipment expensing limit goes back to its 2007 amount (as adjusted for inflation). Unless Congress changes this limit (and the expectation is that they will), the limit for 2009 is \$133,000. The phase-out level is \$530,000.
- The standard mileage rate for business driving in 2009 goes down to 55¢ per mile, and the mileage rate for medical and moving expenses is 24¢ a mile. The general rate for charitable driving remains at 14¢ a mile.
- The adoption credit increases to \$12,150 for 2009 adoptions.
- There are some changes to the retirement plan contribution limits for 2009. The maximum contribution for an IRA remains at \$5,000 for those under age 50, and at \$6,000 for those 50 and older. The SIMPLE plan limit increases to \$11,500 for individuals under age 50, and to \$14,000 for those 50 and older. The 401(k) limit increases to \$16,500; those 50 and older can contribute up to \$22,000.

For details or for assistance as you begin your 2009 tax planning, give our office a call.

Be prepared for tax changes in 2009

Though various tax and economic relief proposals were introduced in Congress at the end of 2008, most did not pass. Legislators did manage to pass a law authorizing seven more weeks of unemployment benefits for out-of-work individuals (13 more weeks of benefits for individuals in states where the unemployment rate is above 6%).

On December 11, Congress did pass the *Worker, Retiree, and Employer Recovery Act of 2008*, an emergency pension tax relief bill. The bill suspends for 2009 the requirement that retirees aged 70½ and older must take a minimum annual distribution from their retirement plans. The bill also eases funding requirements for pension plans in an effort to help cash-strapped businesses.

A look at the tax relief provisions that failed to pass in late 2008 will give you an idea of changes that are very likely to occur in 2009 when President-elect Obama takes office. Two provisions likely to pass: an extension through 2009 of 50% bonus depreciation for the purchase of new business equipment and a \$250,000 limit on first-year expensing for the purchase of new or used business equipment.

Congress is also set to create a stimulus package in January comprised of middle-class tax cuts and billions of dollars in federal spending on infrastructure over the next two years.

Stay tuned for what is likely to be a year with multiple changes to the tax code. Make it a priority to contact us for tax guidance before you make important financial decisions this year.

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