



Bollenback & Forret, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Michael D. Bollenback, CPA
J. Patrick Callan, CPA
Suzanne E. Patrick, CPA
Janet K. Rosenquist, CPA
Roderick B. Stuart, CPA, CFP

Peter B. Forret, CPA, CFP

Dear Business Client:

November/December 2009

Here are a few year-end tax issues and planning strategies for you to consider. Also included are worksheets for calculating income from personal use of company vehicles. If we prepare your payroll, please complete and return to us no later than 12/15/09. **If you use a payroll processing company, please forward to them prior to your year-end payroll for inclusion in your 2009 W-2s. Also, provide health insurance information for any greater than 2% S-corporation shareholder to your payroll processor.** As always, if you have questions on this, or any other tax planning issues, please give us a call prior to year-end.

- **Year-end Purchase of Qualified Assets** – Businesses can achieve significant tax savings by purchasing and placing in service equipment and other qualified assets before year-end. Under the American Recovery and Reinvestment Act of 2009 (ARRA) increased Section 179 expense limits set up by the Economic Stimulus Act of 2008 have been extended through 2009. Businesses may elect to **expense up to \$250,000** of the cost of qualifying property placed in service before the end of the year, subject to certain limitations. ARRA also extends through 2009 the 50% bonus depreciation provision of the Economic Stimulus Act of 2008. For qualifying property bought and placed in service in 2009, small businesses have the option of **depreciating 50%** of the adjusted basis of the property, in addition to the usual depreciation that may be claimed for year one. Property expensed under Section 179 is not eligible for bonus depreciation.
- **Business Vehicle Purchases** – First-year depreciation limits for business vehicles placed in service in 2009 apply to automobiles, trucks and vans. For passenger cars, the limits are \$2,960 for the first tax year (\$10,960 for automobiles for which the special depreciation allowance applies), \$4,800 for the second, \$2,850 for the third and \$1,775 for subsequent years. For trucks and vans, the limits are \$3,060 for the first tax year (\$11,060 if the special depreciation allowance applies), \$4,900 for the second, \$2,950 for the third and \$1,775 for subsequent years.
- **Retirement Plans** – Contact us immediately if you would like to start a retirement plan for your business. Most retirement plans must be established by December 31, 2009 in order to deduct contributions for the 2009 tax year.
- **Domestic Manufacturing and Production Activities** – If your business qualifies under the IRS guidelines, you may be able to benefit from a tax credit or deduction. Some of the eligible business activities include manufacturing, production, growth, construction and engineering.

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- **S Corporation Losses** – S corporation shareholders can deduct their share of corporate losses only to the extent of their **basis** in the corporation. For most S corporations, this basis determination is made as of December 31, 2009. Please contact us immediately if you are an S corporation shareholder and expect the corporation to incur losses for the current year.
- **S Corporation/Partnership Late Filing Penalties** – For any S corporation or partnership late filed tax return, a penalty of \$85 per shareholder/partner will be charged for every month the tax return is late. This amount is likely to be increased for 2009 tax year returns.
- **Fringe Benefits** – Employees and business owners must report no later than their **4th quarter payroll returns and on Form W-2** certain fringe benefits, including:
 - **Personal Use of Business Automobile** – Employees and employee/owners are taxed on their personal use of the business vehicles. **Please complete the applicable enclosed worksheet to compute your personal use of automobile income.**
 - **S Corporation Fringe Benefits** – S corporation shareholders generally must include as additional compensation health, life and disability insurance premiums paid on their behalf by the corporation. Report these amounts to your payroll processor prior to year-end processing.
 - **Group Life Insurance** – Your insurance agent can provide the amount to include for those whose coverage is in excess of \$50,000.
- **Life Insurance** – IRS has issued new reporting requirements for employer owned employee life insurance policies. If you have, or are contemplating these type of policies, let us know so we can determine how this affects your tax return.
- **Sales/Use Tax** – Businesses and individuals that collect rent on business property, or that sell, rent or lease personal property may be liable for sales taxes. Out-of-state purchases of tangible personal property may be subject to use tax.
- **Service and Rent Payments** – Businesses must report by January 31, 2010 to each person to whom at least \$600 was paid in 2009 for services and/or rents. **Any payments of at least \$600** to an attorney or law firm in connection with legal services, whether or not the services were performed (such as retainers or prepaid legal fees), must be reported. If you need assistance with, or have questions regarding the 1099 filing requirements, please contact us immediately.
- **Interest and Dividend Payments** – Businesses must also report all interest and dividend payments in excess of \$10 per payee during 2009 by January 31, 2010.
- **Tangible Personal Property Taxes** – Businesses that benefitted from the Tangible Personal Property Tax Exemption in 2008 will receive exemption renewal postcards on or after January 29, 2010. As long as the value of your property remains at \$25,000 or less on January 1 of each year, you may not need to file a tangible personal property return. If the value of your property was more than \$25,000 on January 1, 2009, you must file a personal property tax return by April 1, 2010. Please contact us to review your asset schedules prior to year-end.

- **Electronic Federal Tax Payment System (EFTPS)** – Businesses and owners with \$200,000 or more annual tax liability may be required to deposit payments or pay taxes electronically. Severe penalties are imposed for noncompliance with EFTPS rules. Contact us if you have questions or think you may be subject to EFTPS.
- **Update Corporate Records** – Update corporate records for stock ownership transfers, buy-sell agreement changes, corporate minute book updates, and other significant transactions.
- **Stock Ownership or Partnership Changes** – Please inform us of any changes that occurred in 2009.
- **New Hire Reporting** – All employers must timely report each new or rehired employee to the Florida Directory of New Hires.
- **Health Savings Accounts** – This type of fringe benefit, when added to your current Section 125 Cafeteria Plan, can be a low or no cost benefit for you and your employees.
- **Unemployment Taxes** - Florida (and many other states) increased the unemployment tax wage base to \$8,500 effective January 1, 2010. Be prepared to pay higher unemployment taxes beginning in April 2010.

These few year-end tax issues and strategies can significantly impact you and your business. To discuss these and other tax strategies, please call us. **Also, visit our website at www.bollenback.com for more information about the new 2009 tax laws.**

IRS CIRCULAR 230 DISCLOSURE: Any tax advice included in this written or electronic communication (and any attachments) was not intended or written to be used, and it cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed on the taxpayer by any governmental taxing authority or agency.

We appreciate the opportunity to serve you.

BOLLENBACK & FORRET, P.A., CPAs

Enclosures

**WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE**

ANNUAL LEASE VALUE TABLE

<u>AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>	<u>AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>
\$ 0- 999	\$ 600	22,000-22,999	6,100
1,000- 1,999	850	23,000-23,999	6,350
2,000- 2,999	1,100	24,000-24,999	6,600
3,000- 3,999	1,350	25,000-25,999	6,850
4,000- 4,999	1,600	26,000-27,999	7,250
5,000- 5,999	1,850	28,000-29,999	7,750
6,000- 6,999	2,100	30,000-31,999	8,250
7,000- 7,999	2,350	32,000-33,999	8,750
8,000- 8,999	2,600	34,000-35,999	9,250
9,000- 9,999	2,850	36,000-37,999	9,750
10,000-10,999	3,100	38,000-39,999	10,250
11,000-11,999	3,350	40,000-41,999	10,750
12,000-12,999	3,600	42,000-43,999	11,250
13,000-13,999	3,850	44,000-45,999	11,750
14,000-14,999	4,100	46,000-47,999	12,250
15,000-15,999	4,350	48,000-49,999	12,750
16,000-16,999	4,600	50,000-51,999	13,250
17,000-17,999	4,850	52,000-53,999	13,750
18,000-18,999	5,100	54,000-55,999	14,250
19,000-19,999	5,350	56,000-57,999	14,750
20,000-20,999	5,600	58,000-59,999	15,250
21,000-21,999	5,850		

For vehicles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to:
 (.25 x automobile fair market value) + \$500.

**WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE**

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE
FOR CALENDAR YEAR 2009

EMPLOYEE: _____

DESCRIPTION OF VEHICLE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO ANY EMPLOYEE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO THIS EMPLOYEE: _____

Select one method (note limitations on methods II and III)

METHOD I - ANNUAL LEASE VALUE METHOD (For Vehicles Available 30 Days or More)

Fair market value of vehicle (to be redetermined at the beginning of the fifth year and every four years thereafter)		\$	_____
Annual lease value, per attached chart		\$	_____
Enter number of days during the year that the vehicle was available	x		_____
Divide by number of days in tax year	÷		_____
Prorated annual lease value	=		_____
Personal use % (personal/total miles, per statement from employee)	x		_____ %
Personal annual lease value	= \$		_____
If fuel is provided by employer, enter personal miles _____ x .055	+		_____ +
Personal use taxable income	= \$		_____

**WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE**

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE FOR
CALENDAR YEAR 2009

METHOD II - STANDARD MILEAGE RATE METHOD

Generally, in order to qualify to use the cents-per-mile method, the vehicle must: (1) be expected to be regularly used in the employer's business throughout the calendar year, or (2) be driven at least 10,000 miles per year, and (3) have a fair market value of \$15,000 or less. Once this method is adopted for a particular vehicle, it must be continued until the vehicle no longer qualifies.

Enter personal miles (1/1 - 12/31/09) _____ x \$0.55= \$ _____

If fuel is NOT provided by the
Employer enter personal miles _____ x \$0.055 = (_____)

Personal use taxable income \$ _____

METHOD III - SPECIAL COMMUTING METHOD

This method may only be used for vehicles covered by a written policy that allows commuting but no other personal use. DO NOT USE if employee is a 1% or more owner, an officer with compensation of \$85,000 or more, or an individual with compensation equaling or exceeding \$175,000.

Number of commuting round trips made _____

Value per round trip x \$ 3.00

Personal use taxable income \$ _____