

IRS HOT ISSUES!!!

DEMAND ACTION BEFORE DECEMBER 31, 2008

Five Tax Planning Ideas for Small Businesses in 2008:

1. **S Corporations and Salary:** An S Corporation is not subject to self-employment tax on the profits earned, BUT you must take a “reasonable salary” as an **active** officer of the corporation.

Start your payroll before December 31, 2008 and continue in 2009 to be in compliance with IRS requirements for corporate salaries. Corporate salary is a deduction for your business and you can withhold payroll taxes to help cover that 4th quarter estimate. **This is mandatory! Not “maybe I will or maybe I won’t”.**



TAXPLAN #1: Mention this code when calling the office to speak directly to our payroll department. The penalties for not filing timely payroll are costly do not let this happen to you!

2. **Medical Expenses:** Medical reimbursement plans set up by C-Corporations let you deduct all the medical costs you incur for yourself, your spouse, and dependents. However, these plans must cover all eligible employees. If you own more than 2% of the company, your medical expenses must be included in a payroll to be deducted on the corporation.

Review your Medical Plan in the corporation before December 31, 2008.



TAXPLAN #2: Mention this code when calling the office to speak directly to a tax professional.

3. **Equipment and Software:** As you probably know, most small businesses are eligible for the “Section 179 deduction.” For tax years beginning in 2008, a “Section 179 deduction”, allows you to immediately deduct up to \$128,000 worth of business equipment as long as it’s up and running by year end. If you have a profit at end of year, think about buying that equipment, either new or pre-owned. Business software costs also qualify. Now is the time to review your books and records.

Keep in mind; you can't roll over any unused Section 179 allowance for this year to next. So the more you spend by year end on business equipment and software, the more you'll save on taxes. However, you need not get too carried away here. Why? Because you'll start off with a new amount for calendar 2009. (This assumes your business uses the calendar year for tax purposes.)



TAXPLAN #3: Mention this code when calling the office to speak directly to a tax professional on year end planning.

- 4. Distributions.** Be careful...if you are making loans to the company. The money can be taxable to you if you violate the basis rules. Track the amount of money you put into the company as well as the amount of money you take out. There may also be limitations placed on the deductibility of the interest expense paid by the entity on the debt.

Review your loans and distributions. Keep track of all bank loans and record the opening balance at end of year. Never deduct money you pay yourself as a company expense...unless there is a payroll check. Keep a separate credit card for the company so you don't fall into the trap of co-mingling your personal funds with corporation funds.



TAX PLAN #4: Mention this code if you have any questions on tracking your loans and capital contributions to the company.

- 5. Protect yourself and your business:** Starting a small-business retirement savings plan can be easier than most think. There are a number of retirement programs that provide tax advantages for both employers and employees. If you want to sell the company or buyout a partner, think about an insurance package to fit your business needs. Need Help? Experts estimate that Americans will need 70 to 90% of their pre-retirement income to maintain their current standard of living when they stop working.

Not all retirement plans will lose in the stock market. There are several plans available to protect your employees from the downturns in the economy. Review the options available to help your employees save for the future and it may help you attract and retain qualified employees. Retirement savings plans also offer tax savings to your business and will help secure your own retirement. You can establish a plan even if you are self-employed.



TAX PLAN #5: Mention this code if you are interested in meeting your retirement goals. Some plans must be open before December 31st, even if not funded.

YOUR NEXT MOVE...



TAKE ACTION !!!

We have covered various topics but can't possibly address every issue relating to your specific situation. It is important that you consult with us before moving forward on any of these tax-planning strategies.

Please call (800) 987-9570 or (909) 394-6760 and use the appropriate code for your tax planning appointments.

Any tax advice contained herein was not intended or written by the practitioner to be used, and it cannot be used by the taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer.