

Newsletter - January 2009

Robin J. Walling, EA
dba Walling's Accounting & Tax Service
309 Maxey Street * Walterboro, SC 29488
Phone: 843-538-8786 * Fax: 843-538-4722
Mobile phone: 843-893-8065
E-mail: robinw@wallingsaccounting.com
Website: www.wallingsaccounting.com

*We would like to say thank you for your business in 2008
and we wish you a very happy and safe Holiday Season.
Walling's Accounting and Staff*

New E-mail Addresses For Walling's Accounting & Tax Service

Robinw@wallingsaccounting.com Karenb@wallingsaccounting.com
Jennifera@wallingsaccounting.com Carolettej@wallingsaccounting.com

Tax Notices

Reminder! It is very important that you send us any tax notices you receive as soon as you get them.

2009 Taxes

The recent spurt in inflation is actually good news for taxpayers next year. Several tax breaks will be much higher in 2009 because they are indexed to inflation, which has increased a whopping 5.4% over the previous 12 months.

The annual gift tax exemption will rise to \$13,000 per recipient next year, a \$1,000 increase. That amount doubles to \$26,000 if the spouse joins in the gift.

The personal exemption will soar to \$3,650 next year, up from \$3,500 now.
The standard deductions will be much larger in 2009:

Status	2009	Increase
Married	\$11,400	\$500
Single	\$5,700	\$250
Household Head	\$8,350	\$350

Married 65 and up will get an extra \$1,000. Singles and household heads, \$1,400.

First Time Home Buyer Tax Credit

The new credit for first time homebuyers goes on Form 5404. Filers will then transfer the amount of the credit to line 69 of the 1040. Remember, folks who haven't owned a primary home during the past three years can get a credit of up to \$7,500 for buying a main home after April 8, 2008 and before July 1, 2009. The credit phases out for married couples with AGI between \$150,000 and \$170,000 and \$75,000 to \$95,000 for singles. Starting in 2010, it's recaptured over 15 years. (Which means you have to pay it back.)

For more information: <http://www.federalhousingtaxcredit.com/>

Exempt Groups

IRS has simplified the process for qualifying as a public charity.

From now on, IRS will OK an application right away as long as the group expects that a substantial portion of its support will be from government grants, donations and other public sources. Under prior rules, IRS granted exempt status on a provisional basis. Charities were required to file Form 8734 after five years showing they had received an adequate level of public support during that period. If a charity didn't measure up or failed to file, it had to become a private foundation. Since the redesigned Form 990 collects more data on support, IRS is scrapping that rule.

Two words for investors: Don't panic!

Keeping calm isn't just therapeutic advice in these times of financial stress. It can actually help protect you from further losses. Studies have shown that when we feel poorer, we sometimes take on too much risk in the hope of clawing back our losses. Panic also pushes us to think short term, when smart investors think long term. A psychological quirk called recency makes us pay too much attention to the recent past when making decisions. One analyst points out that after past market crashes, the S&P 500 rose an average of 36.6% in the following year. So take a deep breath, don't make risky bets, and sit tight on that well-diversified portfolio.

**“Enjoy the little things, for one day you
may look back and realize they were the big things.”
-Robert Brault**

Paying off the mortgage: Is this good for your Credit?

Taking shelter from stormy markets by paying off your home mortgage early may lead you to think it will improve your credit score. Think again. If your mortgage is your only installment loan, your score could suffer a slight ding when paid off. Having different types of credit can boost your score because it improves your mix of credit. However, “types of credit used” has only a 10% weighting on the FICO score developed by Fair Isaac, so paying off such a loan has little effect. Your history of on-time mortgage payments over 15 to 30 years is 35% of your score.

Spousal benefits can boost your Social Security

Many two-career couples make the mistake of assuming they'll claim Social Security based on their individual work records, ignoring the fact that claiming spousal benefits, worth 50% of the worker's benefits, could pay off handsomely. Here's how: Let's say that a man and his wife are both 66 and that each is entitled to retirement benefits of \$1,500 a month. She decides to retire, but he wants to continue working. As long as he waits until his normal retirement age to apply for Social Security benefits, he can restrict his application to "spousal benefits" only worth \$750 a month in this case and delay-claiming benefits based on his own work history until he reaches age 70. At that point, thanks to delayed retirement credits that add 7% to 8% a year to benefits, his check would be worth about \$2,000 a month. You can apply for spousal benefits online at the Social Security Web site (www.ssa.gov), but be careful the agency doesn't misinterpret your request and process your claim for benefits on your own record. You might be better off filing in person at your local Social Security office.

Free Credit Report

Receive a free credit report from all 3 major credit bureaus.

WWW.ANNUALCREDITREPORT.COM

"The reason a lot of people do not recognize opportunity is because it usually goes around wearing overalls and looking like hard work"

Thomas Edison

Mileage Rates

Updated December 5, 2008

Year	Business	Medical or Moving	Charity
01.01.08 to 06.30.08	50.5 cents	19 cents	14 cents
07.01.08 to 12.31.08	58.5 cents	27 cents	14 cents
2009	55 cents	24 cents	14 cents

Reminder

Just a reminder of which quarter your payroll tax deposits should be posted to:

1. If your liabilities are for paychecks that are dated Jan 1st through March 31st then they should be posted to 1st Quarter.
2. If your liabilities are for paychecks that are dated April 1st through June 30th then they should be posted to 2nd Quarter.
3. If your liabilities are for paychecks that are dated July 1st through September 30th then they should be posted to 3rd Quarter.
4. If your liabilities are for paychecks that are dated October 1st through December 31st then they should be posted to 4th Quarter.

Coming

IRS Spot checks on backup withholding required of firms that are notified of mismatched employee names and taxpayer ID numbers. Employers who receive such notices are supposed to start withholding tax at a 28% rate immediately and continue to do so until the error is fixed.

Do you want to avoid having IRS reclassify your contractors as employees?

Act now to make sure you've followed the rules, and make any audit pain-free:

Make the contract airtight. Spell out that the contractors are not eligible for benefits offered to employees and will be paid on a per-project basis, not hourly.

Avoid including provisions that would restrict their ability to market their services.

Have proper documentation. Obtain contractors' employer ID numbers along with business names and addresses. Keep anything that would show the IRS that the contractors work independently...business cards, letterhead stationery, etc.

Note these common traps: Don't give contractors an employee handbook or a company e-mail address. Pay them through your accounts payable system instead of through payroll, and only after they submit an invoice for work they did.

Avoid inviting them to social events for employees, such as a company picnic.

Rebates

If the Service deposited your tax rebate directly to your IRA.....

IRS will let you undo the deposit and give you an extra tax break in the process. Not only can you extract the funds tax and penalty free, but you also need not withdraw earnings attributable to the deposit, even if you previously put in the maximum for 2008. Typically, earnings on excess contributions must be withdrawn, but the Service decided to waive this rule. You have until the due date of your 2008 return plus any extensions to take out the direct deposit. Thus, your IRA can get an additional earning boost in the interim.

DUE DATES

January

- ___ 1st Happy New Year
- ___ 2nd Office will be closed
- ___ 15th Payroll Tax Deposits
- ___ 15th 4th Quarter Estimated Income Tax
- ___ 20th Sales/Hospitality Tax
- ___ 31st W-2's
- ___ 31st Quarterly Reports
- ___ 31st IFTA Reports

February

- ___ 14th Happy Valentines Day
- ___ 16th Payroll Tax Deposits
- ___ 20th Sales/Hospitality Tax
- ___ 28th 1099's

March

- ___ 16th Payroll Tax Deposits
- ___ 16th Corporate Tax Returns
- ___ 20th Sales/Hospitality Tax
- ___ 31st End of First Quarter