

Tax Season Even Shorter Now



The Internal Revenue Service has extended the deadline to February 15, 2009 for brokerage account statements to be received by their clients. This further compresses the time for most tax returns to be completed without extension to just eight weeks. With the shorter time period available to us to prepare tax returns, please try to get all your information to us as soon as possible. Also, please keep this in mind this season as more tax returns may need to be extended. Thank You.

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Year-end Planning

As we move toward year-end, it's yet again time to focus on last-minute moves you can make to save taxes—both on your 2008 return and in future years. We've included a few money-saving ideas here that you may want to put into action before the end of the year. Before we get started, however, please note the purpose of the ideas in the following paragraphs is limited to achieving your personal and business financial objectives in a "tax efficient" approach. A proposed transaction normally should not only save taxes, but also make economic sense before it's a sensible move. In addition, it's generally best to look at your tax situation for at least two years at a time, with the goal of reducing your tax liability for both years combined, not only for 2008.

Do you own your own business and have plans to buy a business computer, office furniture, equipment, vehicle, or other tangible property? You might consider doing this before year-end to take advantage of the temporarily increased Section 179 deduction and the temporary 50% bonus depreciation. The maximum Section 179 deduction is \$250,000 (assuming property purchases for the year don't exceed \$800,000). This means an eligible business can often claim first-year write-offs for the entire cost of new and used equipment and software additions. In addition to the bumped-up Section 179 deduction, you can also claim first-year bonus depreciation equal to 50% of the cost (reduced by the Section 179 deduction) of most new (not used) equipment and software placed in service during 2008. Unless Congress takes further action, the Section 179 deduction will drop to about \$133,000 in 2009 and the 50% first-year bonus depreciation break will expire at year-end.

Given the performance of the stock market this year, you probably have investments that are worth less than what you purchased them for. If this is the case, you may want to harvest some of your losses before year-end to gain a tax benefit. Losses are normally deductible to the extent of any capital gains that you've realized this year, plus an additional \$3,000 (or \$1,500 for married individuals filing a separate return). Please note, however, that losses realized in your retirement accounts are not deductible.

Even with the down market, you hopefully still own some appreciated investments in your taxable accounts. If so, you may want to think about selling any that you've held for more than a year that would generate long-term capital gains. The maximum federal income tax rate on the majority of long-term capital gains from 2008 sales is only 15% and this rate may well go up soon, possibly as early as next year. Of course, investment moves should not be made solely to capitalize on the current low capital gains rates, but if you're planning to sell sometime in the near future, sooner may be better than later.



Lastly, watch out for the AMT in all of your planning because what may be a great move for regular tax purposes, may possibly create or increase an AMT problem.

These are just a few suggestions to get you thinking. With a little effort and some careful planning, it's possible your 2008 tax liability can still be significantly reduced. Please do not hesitate to contact us with questions or ideas on reducing your tax bill.

SSA Updates Guidance on Matching W-2 information

The Social Security Administration (SSA) has updated a publication that provides guidance on avoiding mismatches between names and Social Security numbers (SSN) reported on Form W-2, as compared to SSA records. Each year, employers send Copy A of Forms W-2 to the SSA. The SSA matches the name and SSN on each W-2 against its database of all SSNs issued. When a match is found, the earnings information from the W-2 is recorded in the employee's lifelong earnings history. The publication includes the following guidance on avoiding discrepancies:



- *Avoid these common errors.* The SSA notes the following common errors: incorrect name or SSN; misspelled names; using nicknames or shortened names; using titles before or after the name; and name changes not reported to the SSA.
- *Update your payroll records.* An employee should be asked to verify his/her name and SSN before employers close out their books and prepare Forms W-2. If a name has changed, employers should continue to use old name and tell the employee to contact the SSA to obtain an updated card. Employers should not update their payroll records until the employee has provided them with an updated Social Security card.
- *Use the correct SSN.* Employers should enter the SSN shown on the employee's Social Security card. No SSN can begin with an 8 or a 9. The SSN can not be all "1s" or all "3s" and cannot be in the sequential order of 123-45-6789. Employers that hire someone who does not have a Social Security card should consider using the free Social Security Number Verification Service (SSNVS) which will allow them to quickly verify whether a person's name and SSN matches the SSA's records. Paper filers that don't have a SSN when their W-2 report is due should complete the SSN field by entering "Applied For" in box "a" of the paper Form W-2. Electronic filers that don't have a SSN when their W-2 is due should complete the SSN field by entering all zeros in the box "a," Employee SSN. If employers receive a corrected name and/or SSN from an employee after they file Form W-2, they should submit a Form W-2c to make the correction.

S Corp Share Holders Health Insurance - Payroll Reporting

IRS Notice 2008 - 1 clarifies that if medical insurance premiums are paid by the S corporation on behalf of the shareholder - employee, or reimbursed by the S corporation to the shareholder-employee for premiums paid at the individual level, then the amount of premiums is fully deductible above the line IF they are included in the shareholder-employee's income. The shareholder-employee may only deduct the premiums above the line (on 1040) **IF** his or her W-2 issued by the S corporation includes the premium payments or reimbursements in wages and the shareholder-employee reports them as gross income on his or her income tax return in the year they are paid. The premiums included in income are not subject to social security tax.

This is truly an example of make-work for accountants and bookkeepers especially when respect to S corporations that are owned solely by one individual and or their spouses, but IRS has clarified the regulation for a reason. Be forewarned, form is more important than substance according to this IRS notice.

Excise Taxes - Construction Tax Tips

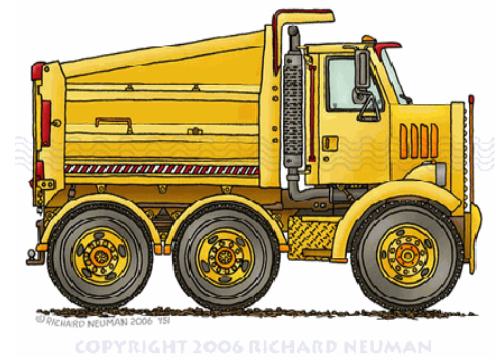
Construction companies may be liable for the federal highway vehicle use tax. These companies may also be eligible to claim an income tax credit or a refund for gasoline, diesel fuel, or kerosene that is used in nontaxable uses.

Heavy Highway Vehicle Use Tax

A truck or truck tractor is subject to the highway vehicle use tax if it:

- Is a highway motor vehicle (generally, a vehicle moved by its own motor and designed to transport a load over the public highways, even if it is designed to do other things)
- Is registered or required to be registered for highway use
- Is used on a public highway, and
- Has a taxable gross weight of at least 55,000 pounds (taxable gross weight means the weight of the vehicle plus the weight of the trailers and semi-trailers customarily used in connection with vehicles of the same type, plus the weight of the maximum load customarily carried on vehicles, trailer, and semi-trailers of the same type)

The tax applies to the first use of a taxable vehicle on a public highway during the taxable period, which is each July 1st through June 30th. The person in whose name a taxable vehicle is registered or required to be registered must pay the tax on Form 2290, Heavy Highway Vehicle Use Tax Return. The tax is due by the last day of the month following the month in which the vehicle is first used during the taxable period. Thus, if you use a taxable vehicle in July, you must file Form 2290 by August 31st. Filing requirements must be determined on an annual basis. File a final return if you no longer have vehicles to report on.



Fuel Tax Credits and Refunds

A federal excise tax is imposed on gasoline (\$.184 per gallon), clear diesel fuel (\$.244 per gallon), and clear kerosene (\$.244 per gallon). The amount of these taxes may be credited or refunded if these fuels are used in many types of off-road uses. Common off-road uses include use as heating oil, use in stationary engines, use in non-highway vehicles, and use in separate engines mounted on highway vehicles.

Please note that a credit or refund is not allowable for the following:

- Any use in the propulsion engine of a registered highway vehicle, even if the vehicle is used off the highway
- Any fuel that is lost or destroyed through fire, spillage, or evaporation
- Any use of dyed diesel fuel or dyed kerosene. In fact, you may be subject to a substantial penalty if you use dyed fuel as a fuel in a registered diesel-powered highway vehicle

It is important to keep records to support your claim. Keep these records at your principal place of business. These records should establish the number of gallons used during the period covered by the claim, the dates of purchase, the names and addresses of suppliers and amounts bought from each in the period covered by the claim. The purposes for which you used the fuel, and the number of gallons used for each purpose.

Source: www.irs.gov See *Businesses-Small Business/Self-Employed-Industries/Professions - Construction*