

Duvall & Associates, Inc.

January 14, 2009

Business Advisor Newsletter

"SO THIS IS THE NEW YEAR
LET'S MAKE BELIEVE THAT WE ARE WEALTHY
FOR JUST THIS ONCE"
Death Cab for Cutie

Adhering to a time honored rite of passage, each year the IRS adjusts monetary standards, such as retirement and mileage rates, for cost inflation (or in this goofy world - deflation).

So it is, 2009 deductible auto rates actually decrease to 55 cents/mile for business travel and 24 cents/mile for moving and medical expenses. The auto rate for charitable purposes remains unchanged at 14 cents/mile.

TAX TIP - Remember to track auto mileage incurred for charitable and medical purposes to enhance deductions.

Continuing the trend of hidden tax increases, 2009 Social Security taxes (same 7.65% X 2 rate) are now payable on an employee's initial \$102,000 wages. Excess wages are subject to a 2.9% Medicare rate.

Retirement contribution deductibles have increased for those bold enough to continue savings plans for the future.

2009 401(k) plan contributions are expanded to \$16,500; SIMPLE limits increase to \$11,500; and defined contribution limits increase to \$49,000.

TAX TIP - The AARP over-50 sect can make annual "catch-up" contributions in addition to normal pension plan limitations. 2009 catch-up limits are \$5,500 for 401(k) & SEP plans; \$2,500 for SIMPLE plans; and \$1,000 for IRA's.

The annual exclusion for gift taxes escalates from \$12,000 in 2008 to \$13,000 in 2009.

TAX TIP - Married couples can make "split-gifts" to increase their annual exclusion. Thus, if Wife owns a \$50,000 acre of land, Wife/Husband could split-gift \$24,000 worth of the parcel to Child in 2008 and the remaining \$26,000 value to Child in 2009 without any adverse estate tax consequences.

Alan Duvall is a certified public accountant in Dayton. Contact him at Alan@Duvallcpa.com.

301 W. First St. · Suite 200 · Dayton, OH 45402 · Telephone: (937) 228-4272 · Fax: (937) 228-7626