Taxing Issues

Accounting | Income Tax | Consulting | Payroll | Investments | Insurance

High Gas Prices Mean Increase in Standard Mileage Rates

With the cost of a gallon of gas north of $4.00, the IRS is giving some relief. According to the most recent IRS communication, standard mileage rates for 2008 will be as follows:

- Business - 50.5 cents per mile from January 1, 2008 - June 30, 2008
  58.5 cents per mile from July 1, 2008 - December 31, 2008
- Medical/Moving - 19 cents per mile
- Charitable - 14 cents per mile

For business purposes, you may choose between the standard mileage rate and actual expenses for a car you own or lease. If you want to use the standard mileage rate for a car you own, you must choose it in the first year the car is available for use in your business. Then in later years, you may choose between standard mileage rate and actual expenses. If you want to use the standard mileage rate for a car you lease, you must use it for the entire lease period. Additionally, there are a handful of specific situations where the standard mileage rate is not allowed.

For business purposes, actual expenses include depreciation, garage rent, gas, insurance, lease payments, licenses, oil, parking fees, registration fees, repairs, tires, and tolls. If you use your vehicle for business and personal purposes, you must divide your expenses between business and personal use. They can be divided based on the miles driven for each purpose.

For medical, moving, and charitable purposes you may choose between the standard mileage rate and actual out-of-pocket expenses, such as the cost of gas and oil. You cannot include depreciation, general repair or maintenance expenses, registration fees, tires, or insurance.

Tax Breaks for Long Term Care Insurance Premiums

Long-term-care insurance premiums qualify for a medical expense deduction and a New York State credit.

The amount of qualified premium paid is added to your itemized medical and dental expenses subject to the 7.5% AGI limitation.

The New York State credit can be as much as 20% of the premiums paid. The credit is limited to the lesser of your tax liability or the amount of the credit.

Two Unwanted Tax Surprises and How To Avoid Them

1. Inadequate Tax Withholding During the First Few Years of Retirement

At retirement, income sources often change drastically. When this happens, tax withholding tends to change as well. Although many people pay less taxes during retirement, inadequate withholding can still create a tax bill when you file your income taxes. A surprise can be avoided by approximating your total income for the year, identifying the source(s) of that income, and estimating how much should be withheld based on your federal and state income tax brackets.

2. Self-Employment Tax

Generally speaking, self-employment income is income you earn working for yourself as a small business owner or independent contractor. Although self-employment has benefits, there is also increased tax responsibility. For those who are self-employed, you are considered both the employer *and* the employee in the eyes of the IRS. This means you are responsible for both the employer's and employee's portions of Social Security and Medicare tax. This tax is commonly referred to as "Self-Employment Tax," and can be as much as 15.3% of your net profit. A tax bill can be avoided by tracking your income and expenses throughout the year, estimating your federal, state, and self-employment taxes, then making quarterly estimated payments.

CONTACT US

6311 Fly Road
East Syracuse, NY 13057

Grandjean & Wagner, Inc.
Phone: (315) 432-9865
Fax: (315) 432-9866

ChoicePay
Phone: (315) 437-4601
Fax: (315) 432-9866

www.grandjeanandwagner.com

Choice**Pay Corner**

Put Saving on Auto-Pilot

More and more small businesses are realizing the importance of offering a retirement plan for themselves and their employees.

Employer-sponsored retirement plans can offer a simple way to save for retirement. Because contributions may be made in small amounts on a regular basis, the savings often accumulates without the "feeling" of giving up something. Compare this concept with buying a cup of coffee each work day of the year: 1 coffee at $1.95 x 260 work days = $507 for the year. If a 22-year-old instead saved this amount each year and earned 8% interest annually, her account would accumulate to over $180,000 by age 65! Less than $22,000 of that amount ($507/year x 43 years) would be principal, while the remaining $158,000 or so would be earnings. Talk about putting your money to work for you!

If you're having trouble setting money aside, you can start with a small amount. Increase the amount each time you receive a raise or bonus. Better yet, designate a percentage of wages as opposed to a specific dollar amount. When you receive a raise, that same percentage will result in a larger dollar amount being saved.

This hypothetical illustration is intended to demonstrate compounding at an 8% rate of return and is not intended to illustrate the performance of an actual investment. This illustration is not an indication or guarantee of future performance. It shows a constant rate of return, whereas, actual rates may fluctuate. Taxes, fees, and expenses, have not been taken into consideration for the purpose of this illustration. Contributions are made at the beginning of each year during this period.

Retirement:

How Much Income Will You Need and Where Will it Come From?

As modern medicine and technology advance, many of us in today's workforce can look forward to a long retirement. Some of us may actually spend more time in retirement than we do working! The question is, "How will we be able to support ourselves through all of those years of retirement with no paycheck coming in every week?"

Many people have a false sense of security in their pension plans. They think, "I can live on $30,000 per year," for example. And maybe that's true now. But in 30 years, $30,000 probably won't have the same purchasing power it has today. With every year that passes, inflation can and probably will erode this pension's purchasing power away. According to the United States Department of Labor, inflation averaged 4.05% per year from 1978 through 2008, as measured by the Consumer Price Index. Assuming a $100 bill could buy $100 worth of stuff in 1978, that same $100 bill may only buy $30.35 worth today, by comparison. In other words, you may need $329 today to buy what $100 bought 30 years ago. If inflation continues at this rate, today's $30,000 per year pension may feel like only $9,105 in 2038! How would having 1/3 of your current purchasing power affect your life?

... you may need $329 today to buy what $100 bought 30 years ago.

So what can you do to help protect yourself and your family? You can put your retirement into perspective and formulate a specific plan, and we can help. First, we help you identify your income goal for each year throughout retirement, adjusting for inflation both up to and during retirement. Then, we try to approximate the income you may receive from sources such as Social Security, pensions, savings, and part-time work, taking into account how these amounts may change over time. Next, we identify if, when, and by how much your projected income may fall short of your income goal. From this, we can help determine how much you may need to save and the rate of return necessary to achieve your goal.

Securities offered through Legend Equities Corporation, member FINRA/SIPC. Legend Equities Corporation does not offer tax or payroll services/advice. Grandjean & Wagner, Inc. and ChoicePay, Inc. are not affiliates of Legend Equities Corporation. Reginald Grandjean and Nicholas Beiter are Registered Representatives of Legend Equities Corporation.