

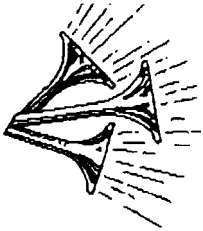


The Update

VOLUME 18 NUMBER 3

Fall 2008

Sannerud, Savarese & Associates, P.A. – “Certified Public Accountants”
1207 Constance Blvd. N.E. • Ham Lake, MN 55304 • (763) 434-5929 FAX (763) 434-8833 • www.sannerudsavarese.com



FROM SUE’S DESK

Is there someone you know, who is of the age, when self care and home care are becoming a real burden?

Would they like to stay in their home, and live independently, as long as possible? Would they like to avoid moving to an expensive assisted living or nursing home? Is there a family member that has become the primary caregiver, who needs a break? Check with your county about “Resources for Seniors”. In Anoka County call 763-783-4707 to discuss needs relating to:

- Assistance in Your Home
- Chore Help
- Safety Concerns
- Caregiver Support
- Volunteer Opportunities
- Medical Assistance
- Health Insurance Counseling
- Housing Consultation
- Health Needs Assessment
- And More!

FALL IS THE TIME FOR TAX PLANNING!

Don’t forget to come in for tax planning before tax season rolls around. Fall is the perfect time to review any major changes to your income, such as real estate sales or retirement, which may change your adjusted gross income for 2008. Avoid surprises for April 15th! Call your preparer to see if you need a tax planning appointment.

Economic Stimulus Payments

It’s Not TOO Late

If you haven’t yet filed a tax return to get your stimulus payment, you still have time to do so. But **you must file by October 15, 2008** to get your payment this year.

If you know a **Retiree** or **Disabled Veteran** who has yet to file for their Economic Stimulus Payment...please spread the word! The IRS provides information packets that contain everything needed by a person who normally does not have a filing requirement, but who must file this year in order to receive an economic stimulus payment. There are also over 400 local Taxpayer Assistance Centers (www.irs.gov/localcontacts/index.html) available to provide assistance to retirees and veterans trying to receive their payments. If you are eligible, all it takes is a few simple steps, and the payment can be on its way.

If you are not eligible this year, but you become eligible next year, you can claim the economic stimulus payment next year on your 2008 return. For more information check out the “Economic Stimulus Payments Information Center” at www.irs.gov.

**** Reminder ****

For Those Who Have Filed An EXTENSION

Individuals who are on extension for 2007 have until **October 15, 2008** to file their return. Corporate extensions for 2007 were due September 15, 2008.

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WHAT'S NEW WITH TAXES!

IRS RAISES STANDARD MILEAGE RATES...

With gas prices soaring, the IRS has increased the standard mileage rates that taxpayers can use to deduct the cost of driving for business, medical services or moving.

BUSINESS: Effective for driving July 1 through December 31, 2008, the standard mileage rate for business driving has been increased to 58.5¢ per mile. The rate for business miles driven from January 1 through June 30, 2008, remains at the previous rate of 50.5¢ per mile.

MEDICAL AND MOVING: The IRS also increased the deductible rate for medical and moving mileage for the last six months of 2008 to 27¢ per mile. For the first six months of 2008, the rate remains at 19¢ per mile.

CHARITABLE: Note that the IRS made no change in the mileage rate for driving in conjunction with charitable activities. That rate is set by law and remains at 14¢ per mile.

CAPITAL GAINS AND LOSSES

Almost everything you own and use for personal or investment purposes is a capital asset. Examples are your home, household furnishings, collectable antiques, and stocks or bonds held in your personal account. When you sell a capital asset, the difference between the amount you sell it for and your basis, which is usually what you paid for it, is a capital gain or loss. You have a capital gain if you sell the asset for more than your basis. You have a capital loss if you sell the asset for less than your basis. Losses from the sale of personal-use property, such as your home or car, are not deductible.

Here are a few tax facts about capital gains and losses:

- Capital gains and losses are reported on Form 1040, Schedule D.
- Capital gains and losses are classified as long-term or short-term, depending on how long you hold the property before you sell it. If you hold it more than one year, your capital gain or loss is long-term. If you hold it one year or less, it is short-term.
- The tax rates that apply to long term capital gains are generally lower than the tax rates that apply to other income. For 2008-2010, the maximum long term capital gains rates are 0%, 15%, 25% or 28%.

- If your capital losses exceed your capital gains, the excess is subtracted from other income on your tax return, up to an annual limit of \$3,000 (\$1,500 if you are married filing separately).

Changes In: *MINIMUM WAGE*

The **federal minimum wage** to be paid by covered employers is \$6.55 an hour effective July 24, 2008: and \$7.25 an hour effective July 24, 2009. These employers include:

- Businesses that produce or handle goods for interstate commerce.
- Businesses with annual dollar volume of business of \$500,000 or more.
- Certain other businesses, including hospitals and nursing homes, private and public schools, and federal, state and local government agencies.

The **Minnesota minimum wage** is:

\$5.25 for small employers

(annual sales volume of less than \$625,000)

\$6.15 for large employers

(annual sales volume of more than \$625,000)

\$4.90 training wage may be paid to new employees under the age 20 during their first 90 days of employment.

- There is no longer a lower rate for minors.
- By state law, there is no tip-credit allowance.
- In cases where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher of the two minimum wages.

For additional information to: www.wagehour.dol.gov

FILING EXTENSIONS

The extended due date for both businesses and individuals often falls on the same date, generally Oct. 15, creating a burden for individuals who rely on the information from Schedule K-1 and other similar statements to prepare their personal tax returns. Temporary and proposed regulations will reduce the extension of time to file tax returns for certain businesses that generate Schedules K-1 and other similar statements from six months to five.

This change will be effective for extension requests with respect to tax returns due on or after January 1, 2009, and applies to business entities that file the following returns and forms that have a tax year ending on or after Sept. 30, 2008: Form 1065, U.S. Return of Partnership Income; Form 1041, U.S. Income Tax Return for Estates & Trusts; and Form 8804, Annual Return for Partnership Withholding Tax.

Who may work as an Independent Contractor in the Construction Industry?

A new state law effective Jan. 1, 2009, requires individuals (not corporations, LLCs or partnerships) who work as independent contractors in the building construction industry to obtain an **Independent Contractor Exemption Certificate (ICEC)**. As of Jan. 1, 2009, for purposes of the state's workers' compensation, unemployment insurance, wage and hour, and occupational safety and health laws, **individuals doing building construction work without an ICEC will be employees of the contractor for whom they are working. Are you a contractor that hires casual labor or independent contractors? This affects you!**

To obtain an ICEC, individuals must complete and submit an application that establishes they meet the "nine-factor test" conditions required to operate as an independent contractor. An ICEC permits individuals to work as independent contractors. Certificate holders, however, may work as either independent contractors or as employees. Whether a certificate holder is working as an employee or an independent contractor will depend on the conditions of the particular work relationship. To be an independent contractor, in addition to having an ICEC, the conditions of the work relationship must also meet the "nine factor test".

APPLY FOR A CERTIFICATE

For exemption certificate application materials and to verify an employee's status as an independent contractor, visit www.doli.state.mn.us/ic.

The application and renewal fee for the certificate is \$150. Independent contractors will be required to renew their exemption certificate every two years. **Contractors will be obligated to verify that the workers with whom they enter into agreements as independent contractors have a current exemption certificate. Contractors are required to maintain a copy of these certificates for five years.**

Individuals and contractors who fail to comply with the law are subject to a penalty of up to \$5,000 for each violation and will be reported to workers' compensation, unemployment insurance and revenue regulation for further action.

Please contact us if you have any questions regarding construction workers as independent contractors or as employees.

S Corporation Health Insurance Deduction

S Corporation shareholder-employees that own 2-percent or more of the S Corporation's stock qualify for the self-employed health insurance deduction as long as certain rules set by the Internal Revenue Service are followed. The insurance policy can be either in the name of the S Corporation or the individual shareholder-employee as long as all premiums for the calendar year are paid directly by the S Corporation or reimbursed by the S Corporation to the shareholder-employee. This includes premiums paid for the shareholder-employee and their family. The total health insurance premiums paid for in the calendar year must be added as taxable wages to the shareholder-employee's W-2, but the amount is not subject to Social Security or Medicare taxes as long as all eligible employees of the S Corporation are offered health insurance coverage. Therefore, the health insurance premiums are added to Box 1 Wages, tips, other compensation but not Box 3 Social security wages or Box 5 Medicare wages and tips.

If our firm prepares your Forms W-2, we will need the total amount of health insurance premiums paid for each shareholder and their family in the calendar year no later than by the date you provide your information for the final payroll for the calendar year.

If you prepare your own Forms W-2 you will need to report the health insurance premiums paid by the S Corporation as taxable wages. You will also need to include the health insurance premiums on the federal Forms 941 and 940 and all state payroll tax reports.

If you have a payroll service that prepares your Forms W-2, make sure to provide the proper information to them early, so they include the health insurance premiums on the shareholder-employee's W-2. Otherwise you may be charged a sizeable fee to re-run the forms and reports.

Please contact our office with any questions.

New Web Page for Small Business & Self-Employed

To find useful links to information and common issues many small business owners and self-employed taxpayers (those who file Schedule C/Form1040) face, go to:
<http://www.irs.gov/businesses/small/article0,,id=115045,00.html>

2008 Inflation Adjustment Updates

Kiddie Tax Threshold

Under the kiddie tax rules, a child's investment income is first reduced by a \$900 standard deduction. The next \$900 is taxed at the child's rate, and the remainder taxed at the greater of the parent's or child's rate. Parents can elect to report the child's investment income on their return if the child's gross income is more than \$900 and less than \$9,000.

The kiddie tax applies when a child meets the following requirements:

1. Has at least one living parent in a higher tax bracket than the child,
2. Doesn't file a joint return,
3. Has unearned income greater than a threshold amount (\$1,700 for 2007, \$1,800 for 2008) and
4. Meets any of the following three age requirements:
 - ✓ Under age 18 at year-end,
 - ✓ Age 18 at year-end if his or her earned income is 50% or less than the amount of his or her support or
 - ✓ Age 19-23 at year-end if a student (attends school full-time for at least 5 months during the year) and if his or her earned income is 50% or less than the amount of his or her support.

The kiddie tax applies to all children that meet the requirements (that is, they don't have to be a dependent). Also for items 2 and 3 above, the child's support does not include any amounts received as scholarships.

**DON'T COMPROMISE YOURSELF.
YOU ARE ALL YOU'VE GOT**

(Janis Joplin)

2008 IRA Retirement Plan Amount Limits

| | |
|--|----------------|
| Annual Contribution Limit | \$5,000 |
| Catch-up Contribution Limit (Age 50 or older) | \$1,000 |

Local Sales & Use Taxes

Who is Required To Collect...

All retailers who are registered to collect Minnesota **SALES TAX** and are doing business in an area with a local tax must be registered with the Minnesota Department of Revenue to collect that local tax. This includes sellers from outside the locality who:

- Have an office, distribution, sales, sample, or warehouse location, or other place of business in the local area either directly or by a subsidiary;
- Have a representative, agent, salesperson, canvasser, or solicitor in the local area, on either a permanent or temporary basis, who operates under the authority of the retailer or its subsidiary for any purpose, such as repairing, selling, installing, or soliciting orders for the retailer's goods or services, or leasing tangible personal property in the local area;
- Ship or deliver tangible personal property to the local area; or
- Perform taxable services in the local area.

Local tax applies to sales made or services performed within city limits or county boundaries only. Zip codes help to determine the taxing area, but don't always correspond exactly with city or county limits, so part of a zip code may be outside the city or county.

Local **USE TAX** applies when you buy items or services for business or personal use in the local area without paying local sales tax to the seller. Use tax is similar to the sales tax and rates are identical. It is based on your cost of taxable purchases.

For local sales and use tax rates and additional helpful information go to: www.taxes.state.mn.us

Things You Should Know For – YEAR END

It's Almost That Time Again...

Year – end is just around the corner, so it's time to start tying up all those loose ends and verify your books are in order. The more you get done now, the smoother the rest of the year-end process will be!

Below is a checklist to help you:

Start reviewing vendor information:

To help you with your 1099 and W-2 filings, make sure you have up-to-date, accurate information for all your employees and vendors. Make sure those Social Security Numbers (SSN) and Taxpayer Identification Numbers (TIN) are correct! There are internet options you can use to verify those numbers:

To verify employee SSN's go to:

<http://www.socialsecurity.gov/employer/ssnv.html>

To verify vendor TIN's go to:

http://www.irs.gov/govt/tribes/article_0,,id=131207,00.html.

You must register on the IRS website to be a "e-service user" to have access to this program.

Set deadlines for everyone:

You can get better control of your time by establishing certain schedules now. For instance, tell contractors they won't get their next check until identification numbers and addresses are received.

Rearrange your work schedule:

Try to rearrange your work schedule to better accommodate the extra work you have at this time of year. For example, designate Monday-Thursday as the days you spend on your regular work and focus on year-end related tasks on Friday.

UPDATE YOUR CORPORATE BOOKS

As the end of the calendar year approaches, it also means the end of the fiscal year for many corporations. As part of the year end process, corporations should be sure to hold an annual meeting and update corporate books.

Minnesota law requires corporations to hold an annual meeting and keep corporate records. Only S and C corporations are required to maintain minutes, LLC's have no such requirement. Proper minutes and written consent forms for shareholders and directors together with any resolutions should be inserted into the corporate records book. Any issuance or transfer of stock to new or existing shareholders should be recorded as well as any purchases of real property, authorization of significant loans or line of credit or opening of bank accounts.

Corporate books should remain in the possession of the corporation (in a safe place) and include all the original documentation regarding the corporation. If you do not have a corporate book, Sannerud, Savarese & Associates is able to help you with that process. Just give us a call!

Physical Inventory

The IRS has increased the emphasis this year on actual physical inventory on hand. Please make sure to physically count your inventory, retain the records, and provide us with the accurate total cost of inventory on hand as of December 31, 2008. Do not include consignments you are holding from other people in this number. In the event of an audit you will be required to provide copies of physical inventory count sheets. Not all businesses are required to record inventory. Please call us to discuss your specific situation.

Remember . . . to bring your tax organizer (mailed out to clients in January) and all supporting documents to your 2008 tax appointment. If you need to schedule/reschedule your tax appointment or need another tax organizer mailed to you, please call our office at 763-434-5929.

INFORMATIVE INFO...

LOCAL BANK OFFERS TIPS - *How To Take Full Advantage of FDIC Insurance*

By Rachel Kytonen

Isanti County News, Cambridge

With the recent Federal Deposit Insurance Corp. takeover of IndyMac Bancorp, those in the banking industry have seen an increased interest by consumers in FDIC insurance.

The FDIC is backed by the full faith and credit of the United States government that protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails.

California-based IndyMac became the fifth U.S. bank to fail this year, and is one of the nation's top bank failures. Due to recent bank failures and consumers questioning the status of financial institutions, Community Pride Bank recently held seminars explaining what FDIC insurance is and alternate programs such as the Certificate of Deposit Account Registry Service (CDARS), which offers up to \$50 million through FDIC insurance on certificate of deposit investments. "Local community banks appear to be very sound and safe and well-capitalized," said Melany Wynn, senior vice president of Community Pride Bank. "We held the recent seminars because with the status of the economy and the recent bank failures, people have started wondering more about how safe their own deposits are. They work hard for their savings, and with the economy and the recent economic news, they want to make sure their deposits are fully secured."

About FDIC Insurance

FDIC insurance covers all types of deposits received at an insured bank, including deposits in checking, savings, and money market accounts, as well as CDs. It covers the balance of each depositor's account, dollar-for-dollar, up to the insurance limit, including principal and any accrued interest through the date of the insured bank's closing.

The basic insurance amount is \$100,000 per depositor, per insured bank. Wynn explained the \$100,000 amount applies to all depositors of an insured bank except for owners of "self-directed" retirement accounts, which are insured up to \$250,000 per owner. She said insurance coverage of joint accounts is not increased by rearranging the owners' names or by changing the styling of their names. In addition, using different Social Security numbers on multiple accounts held by the same co-owners will not increase insurance coverage.

The following is an example provided by the Independent Community Bankers of America of how depositors can expand their coverage beyond \$100,000:

- A husband and wife both have separate bank accounts in each of their names (each account is covered for \$100,000, or \$200,000 total).
- The couple also has a joint checking account which is covered for up to \$200,000.

- The husband and wife each have separate IRA accounts for \$250,000 each. In addition, Wynn explained, the owner of a payable-on-death account is insured up to \$100,000 for each beneficiary if certain requirements are met, such as the beneficiaries must be identified by name in the deposit account records and "qualifying," meaning they must be the owner's spouse, child, grandchild, parent or sibling.

About CDARS

Wynn explained CDARS is a program offered by local banks. CDARS offers a way to have full FDIC insurance on deposits larger than \$100,000.

With the program, all the deposits are handled through one bank. The large deposit is broken into smaller amounts and placed with other banks that are members of a special network. Then, those member banks issue CDs in amounts under \$100,000 so that your entire investment is eligible for FDIC insurance. "The CDARS program keeps deposits within one bank, and you negotiate with one bank," Wynn said. "Deposits still remain within the local community and are reinvested within the local community."

Wynn said Community Pride has been offering CDARS for five years, and each year have seen an increased amount of consumers using the program. She added there is no cost to consumers to use the CDARS program, and the consumer only receives one regular account statement listing all the CDs, along with their issuing banks, maturity dates, interest earned and other details.

For more information on FDIC insurance, visit www.fdic.gov. For more info on CDARS, visit www.cdars.com, or check with your local bank.

Wise Ways To Use Water

- Fall and Winter are generally wet months, therefore this reduces the need for watering your plants and lawn, but it doesn't mean not to water at all. Always check soil for moisture when fall and winter months are dry.
- Check for leaky faucets and pipes.
- Install covers on pools and spas. Check for leaks around your pumps too.
- Water your lawn only when it needs it. A good way to check: if you step on the grass and it springs back, it doesn't need water. If it stays flat, get the sprinkler!
- Use a broom instead of a hose to clean your driveway and sidewalk...save water every time.
- Plant in the fall when conditions are cooler and rainfall is more plentiful.

DID YOU KNOW. . . Vegetable oil can erase permanent marker on all kinds of surfaces (finished wood, metal, etc.). Just pour some oil on a rag or sponge and wipe the marks down. A few minutes later, clean off the oil using a damp cloth. Repeat if necessary.

WHAT'S COOKING?

Pumpkin Jelly Roll
Prep: 20 mins
Cook: 15 mins
Ready in: 35 mins

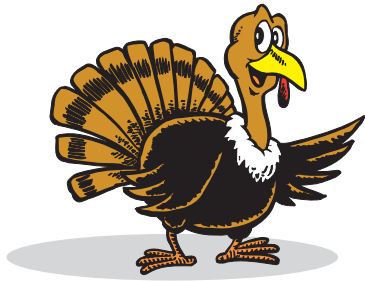
Ingredients

$\frac{3}{4}$ Cup flour
2 tsp. cinnamon
1 tsp. pumpkin pie spice
 $\frac{1}{2}$ tsp. salt
1 tsp. baking powder
3 eggs (beaten till fluffy)
1 Cup sugar
 $\frac{2}{3}$ Cup pumpkin
1 Cup nuts

Filling:

1 Cup powdered sugar
1 (8 oz.) pkg. cream cheese
6 Tbs butter
1 tsp. vanilla

Grease jelly roll pan and line with waxed paper. Grease and flour waxed paper. Mix ingredients together and pour into jelly roll pan. Bake 15 minutes @ 375°. Remove cake from jelly roll pan onto damp towel sprinkled with powdered sugar. Roll cake and towel jelly roll style and let cool. When cake is cool, unroll and spread filling over cake and re-roll.



*Happy
Thanksgiving*

As we pause to express gratitude during this Thanksgiving Season, we Thank You for your business throughout the year. We send you our warmest wishes for a beautiful Thanksgiving.

“More Phish Tales” Suspicious E-mails and Identity Theft

In a new scam, a cover letter and a form, supposedly from the IRS, are faxed to people with instructions to fax the completed form back to the number contained in the form. The letter states the IRS requires an update of the recipient's tax information and promises to deposit a nominal tax refund to the recipient's bank account in return. The form is a “substitute and recertification” Form 1040, titled “Certificate of Current Status of Beneficial Owner for United States Tax Recertification & Withholding.” The form requests detailed personal and financial information (mother's maiden name, bank account/PIN numbers) that can be used to steal the identity and access the bank accounts of anyone who responds to this scam.

Remember...the IRS does not initiate taxpayer communications through e-mail nor do they gather information by telephone. In addition, the IRS does not request detailed personal information through e-mail or ask taxpayers for their PIN numbers, passwords or similar secret access information for their credit card, bank or other financial accounts.

If you receive and unsolicited e-mail communication claiming to be from the IRS, please forward the original message to: phishing@irs.gov

Complete Payroll Services

Sannerud, Savarese & Associates, PA.'s full payroll service includes:

- Payroll Processing
- Direct deposit available
- Electronic deposit of all payroll taxes
- Preparation of all payroll reports & filing electronically as required
- Preparation of yearend payroll reports and required forms including Form 940, W-2's, W-3, 1099's and 1096
- Providing copies for corporate files
- Reporting new hires to the state

Sannerud, Savarese & Associates, PA. can take the worry out of payroll for you by:

Applying for payroll related identification numbers
(Federal, State, and State UC)
Providing you with W-4s and I-9s.

Accurate – Cost Effective – Timely

***“Let us help you use your time
to do what you do best!”***

Office Hours

Monday – Friday 8:00 AM to 4:30 PM
or by appointment (763) 434-5929

Tax Season Office Hours (January 21 – April 15, 2009)

| | |
|---------------------------|-----------------------|
| Monday, Tuesday, Thursday | 8:00 AM to 8:00 PM |
| Wednesday & Friday | 8:00 AM to 4:30 PM |
| Saturday | 8:00 AM to 12:00 Noon |

E-Mail: staff@sannerudsavarese.com
Web Site: <http://www.sannerudsavarese.com>

Upcoming Seminars & Community Education Classes

Taught by Sue Savarese, CPA

Class: Small Business Recordkeeping
Date: October 9, 2008
Location: Staff Development Center, Anoka, MN
Contact: For more information about the class or to register, call (763) 506-5766

Class: Thinking Beyond Today...Estate Planning Basics
Date & Time: Thursday, October 23, 2008
 7:30 – 8:30 PM
Date & Time: Tuesday, October 28, 2008
 11:00 – 12:00 Noon
Location: Sannerud Savarese & Associates, P.A.
Contact: Call our office (763) 434-5929 for reservations, space is limited.



* Education *

The staff has or will be attending the following classes:
 Sue Savarese: Preparing Non-Profit Financial Statements, MAPA Gear Up Accounting Seminar, Reducing Health Care Costs, Fringe Benefit Live Streaming
 Rae-Ann Rothmeier: MN CPA State Taxation of Multistate Business Conference, MAPA Gear Up Accounting Seminar, Reducing Health Care Costs, IRS & MN Revenue Working Together
 Paulette Hynes: Reducing Health Care Costs
 Ruth Hunter: Reducing Health Care Costs

* Staff *

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 Rae-Ann Rothmeier Certified Public Accountant
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The Update is published for our clients and friends. It is designed to provide accurate information with respect to the subject covered. Before any action is taken based upon this information, it is essential that competent, individual, professional advice be obtained.