



RASCAL'S CORNER



Wag Your Tail YES For Senate Bill 1063

Senate Bill 1063 proposes to transition the collection of local tax to a more standardized process, starting in 2011.

Pennsylvania has over 2,900 jurisdictions imposing local taxes, four times more than the second highest state, which gives the perception that doing business in Pennsylvania is difficult.

Senate Bill 1063 will bring uniformity, clarity and fairness to local earned income tax collection.

One provision will require that the Commonwealth issue one set of rules and regulations that apply to ALL collectors, taxpayers and employers.

I'll be doggone glad if this passes...less confusion and more time for treats!

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Did You Know That CE Provides Bookkeeping Services? Personalized Solutions For You and Your Business

People are sometimes surprised that we offer bookkeeping services. Accurate books and records are important. They form the basis of all compliance and decision making in a business, whether it's filing proper tax returns, providing information to owners and creditors, or making business decisions, including tax, estate and/or succession planning. Some of us remember keeping books the old-fashioned way, with ledgers and special paper. In those days, most bookkeepers understood debits and credits. Today, many people have a computer and can install a program, so they assume keeping books is simple. Sometimes it doesn't work out that way.

Today, the most used bookkeeping software is QuickBooks. CE Manager and CPA Barb Wagner is also a Certified QuickBooks ProAdvisor. Although it wasn't as intense as the CPA exam, Barb had to pass a three-part exam administered by Intuit in order to receive the QB expert designation. In addition to Barb, Diane Turley, our Firm Administrator & Accounting Software Consultant, assists clients with their bookkeeping needs.

We can identify potential problem areas in your bookkeeping system, whether its QuickBooks or other accounting software.



Barb, Diane and others at CE have years of bookkeeping experience and have helped individuals, businesses and nonprofits set-up, clean-up, streamline and enhance their bookkeeping systems based on their specific needs. Following are a few examples:

- Assist with streamlining payroll entries saving hours of input each month;
- Train to generate income statements showing profitability for separate activities;
- Work with nonprofits to use monthly budget features to generate Budget to Actual reports;
- Install QuickBooks on client's computer, perform set-up procedures and train to use QuickBooks;
- Perform monthly "after the fact" bookkeeping, where the activity is entered into QuickBooks once a month, the bank accounts are reconciled and financial statements are generated;
- Upgrade from earlier versions of QuickBooks or convert to or from other accounting software programs.

To find out about our 1/2 hour, no-cost bookkeeping consultation, and how we can help you, please call Barb at 412.731.1500 or e-mail savemybooks@ce-cpa.com. ☎

CE Honored Again and Again and...

We're Doubly Delighted

CrawfordEllenbogen was honored May 6th...not once...but TWICE.

First stop was at the Allegheny County Council meeting to receive an Allegheny County Proclamation congratulating the firm for being named one of the Best Women-Owned companies in the United States by *Working Mother Magazine*.

Presented by County Council Member Dr. Charles J. Martoni, the proclamation stated, "Your commitment to maintaining a fair and progressive work environment is commendable and serves as a model of a family-friendly business."

Joan, thrilled to be recognized by her home town for this national award, had to run to accept CE's second honor of the evening from the Pennsylvania Federation of Business and Professional Women's Club (BPW/PA), District 3.

BPW honored CrawfordEllenbogen as Employer of the Year for contributing to the employment, advancement and recognition of women.

Having won one of the 12 district awards in the state, CE now qualifies as a finalist as BPW's National Employer of the Year. ☎



Pictured left to right: Councilman Dr. Charles J. Martoni, Joan Ellenbogen, CPA and Councilman James Ellenbogen (Joan's grandfather's brother's grandson).

Farm/Military Tax Relief Acts of 2008

Farm Relief & Earnings Assistance for Heroes

On June 5th, the Senate voted (for the second time) to approve the **Farm Bill**. This bill is expected to be vetoed and overridden by Congress. It provides new tax incentives and relief to farmers, ranchers and timber producers while limiting excess farm losses,

reducing ethanol credits and increasing corporate estimated tax payments.

The Military Tax Relief Bill is expected to be signed into law soon and gives tax breaks to military personnel who receive combat pay, purchase a home and save for retirement. ☞

You're in the Driver's Seat

Luxury Car Depreciation Limits

Depreciation limits, also known as "luxury car" rules for vehicles placed in service in 2008, have been announced by the IRS. For passenger autos, a total of \$10,960 can be deducted, comprised of \$2,960 of regular depreciation and \$8,000 of "bonus" depreciation, stemming from the Economic Stimulus Act of 2008.

For light trucks and vans, total depreciation

available in the first year is \$11,160.

Below is a chart showing depreciation for both types of vehicles for the tax years 2008 and beyond. Previously, the maximum deduction for luxury autos was limited to \$3,260. ☞



Type of Vehicle	2008	2009	2010	2011 and beyond
Automobiles	\$10,960	\$4,800	\$2,850	\$1,775
Light Trucks & Vans	\$11,160	\$5,100	\$3,050	\$1,875

Figures based on 100% business use.

Employer Can Pay Employee's Tax on Bonus

Here's the Math

An employer wants to reward an employee with a bonus, and pay taxes on that bonus as well. The formula for that "gross up" computation is: original bonus amount divided by 1 minus the employee's tax rate.

For example, Jane Smith, an employee of Rascal's Scratch N' Sniff, LLC earns an annual salary of \$55,000. Rascal wants to reward Jane, his best company scratcher, for all of her efforts with a \$5,000 year-end bonus. Let's assume that Jane's

combined federal and state tax rate is 30%. Her total tax rate is 37.65%, which is federal and state taxes, plus employment taxes of 7.65%.

The gross up computation is:

•Original Bonus	\$5,000/
•Divided by (1-.3765)	<u>.6235</u>
•Total payment to Jane to yield a net check of \$5,000 is	<u>\$8,019</u> ☞

Deduct 50% of the Tab

Business Meals are Healthy Write-offs

Do you dine out with your customers or associates? If you meet certain requirements, 50% of the check is deductible.

If you plan your meals to coincide with business meetings, some nondeductible expenses can be converted into deductible expenses. There are two types of deductible expenses.

Directly-related expenses qualify when the meal is arranged for business purposes, business is actually discussed during the meal, and there is more than a general expectation that the cost of the meal will generate a business benefit. Taking out a client for goodwill is not enough.

Associated-with expenses are when the meal precedes or follows a substantial business discussion. Although there is no specific time restraint, the overall nature of the events should be business-



related. For example, spending a couple of minutes about vague business prospects followed by a lengthy lunch does not constitute an *associated-with expense*.

To maximize your deductions, schedule meals and meetings to coincide and have a specific business agenda.

Don't forget: for tax purposes you should note the amount, time, place, business relationship and business purpose on your receipt. You need to keep business expenditure receipts for expenses that exceed \$75. ☞

⇒ See *Lite Bytes* for more information on **business trip write-offs**.

LITE BYTES

Summer Time is Vacation Time—or is it a Business Trip?

If the primary reason for your trip is business, all transportation costs (within the US) are deductible.

If the trip is mostly for pleasure, transportation expenses are not deductible.

If the number of days spent on business exceeds the vacation days, the trip is deemed to be primarily for business.

Win/Win—Tax Break for You, Extra Cash for Mom & Dad

Buying your parents' home (at fair value) and renting it back to them (at a fair rent), gives you new tax deductions and cash in your parents' pocket without the hassle of moving.

To Note or Not to Note Your Social Security Number

Pennsylvania now allows you to provide only the last four digits of your social security number on checks for tax payments.

The IRS, however, still requires your full 9-digit number.



If you have any questions about the articles in this newsletter or other tax or accounting matters, please contact us.

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