



THIS MONTH:

- ◆ 1st Quarter Due Dates
- ◆ New I-9 Form Issued
- ◆ Auction and Yard Sale Income
- ◆ Standard Mileage Rate Changes for 2008
- ◆ Section 179: A Year-End Decision
- ◆ Simplify It with **PADGETT CONNECT**

1st Quarter 2008 Due Dates

January 15:

- *Individuals:* Fourth quarter 2007 estimated tax payments due.



January 31:

- *Employers:* Give your employees their copies of Form W-2 for 2007. File Form 941 for 4th quarter 2007, or annual Form 944. File Form 940 for 2007.
- *Businesses:* Distribute Form 1099 to recipients for 2007.

February 15:

- *Employees:* Submit a new Form W-4 to your employer to continue exemptions claimed last year.

February 29:

- *Employers:* File Form W-3 with Copy A of all Forms W-2, and Form 1096 with Copy A of all Forms 1099. Large food or beverage establishments file Form 8027 to report 2007 tip income, reported tips, and allocated tips.

March 17:

- *Calendar-Year Corporations:* 2007 income tax return (Forms 1120 and 1120S) due, or file Form 7004 for an automatic six-month extension. Provide each shareholder with his or her copy of Schedule K-1 (Form 1120S.)
- *C Corporations:* File Form 2553 to choose to be treated as an S corporation beginning on January 1, 2008.

New I-9 Form Issued

The USCIS announced on November 7, 2007, that a new Form I-9 and a revised version of the "Handbook for Employers, Instructions for Completing the Form I-9" are now available. The significant revision to the Form I-9 is the removal of several "List A" documents which previously could be used for proof of both identity and employment eligibility. The omitted documents include: Certificate of U.S. Citizenship, Certificate of Naturalization, the Alien Registration Receipt Card, the Re-entry Permit, and the Refugee Travel Document.

The Immigration Reform and Control Act legally mandates that U.S. employers verify the employment eligibility status of newly-hired employees and makes it unlawful for employers to knowingly hire or continue to employ unauthorized workers. Employers must complete a Form I-9 within three business days of the hire of new employees. The employer must also retain the forms for three years post-hire or one year post-termination of employment, whichever is longer. Exclusive use of the new Form I-9 will be required beginning January 1, 2008. The new Form I-9 can be accessed at <http://uscis.gov/i-9>. The revised M-274, Handbook for Employers, can be found at http://www.uscis.gov/files/native_documents/m-274.pdf.

Auction and Yard Sale Income

Depending on facts and circumstances, you may have reportable income. Selling your '67 Mustang? Any gain is likely to be a long-term capital gain. Occasional sales of items previous purchased for personal use for less than what you bought them for would not be reportable. But if you're buying and selling items on a recurring basis, there's a good chance you're in business and you'll have to report the income. Go to the IRS Web Site and search for "online auction sellers" for more information. In addition, the IRS has just released a new Fact Sheet (FS-2007-23) outlining what's taxable and what might be deductible for taxpayers who earn income from auctions and consignment sales.



Standard Mileage Rate Changes for 2008

The IRS has recently announced the standard mileage rate for 2008. The rate for business miles will increase to 50.5 cents per mile, up from 48.5 cents. The rate for moving and medical purposes will decrease to 19 cents per mile, down from 20. The rate for charitable purposes remains unchanged at 14 cents per mile; that amount is set by law. If the standard mileage is claimed, the depreciation adjustment will be 21 cents per mile; up from 19 in 2007. These rates apply to owned or leased autos, vans, pickups and panel trucks.

Section 179: A Year-End Decision

It generally makes sense to write off eligible equipment using the Section 179 expense option in the year of purchase. You'll get the tax deduction faster than if you took depreciation over time. However, expensing may not make sense if you're in a low tax bracket in the year of purchase but expect to be in a higher bracket in future years, or if your new sole proprietorship is not making enough to trigger self-employment tax.

While the depreciation deductions may be spread out over time, if you're in a higher tax bracket or paying self-employment tax, the deductions will be worth more. You'll have to crunch the numbers and consider the time-value of money to be sure. And keep in mind that you don't have to write off the entire asset. Although a machine cost \$5,000, you can claim the Section 179 expense option on \$2,000 and take regular depreciation over time on the remainder.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.