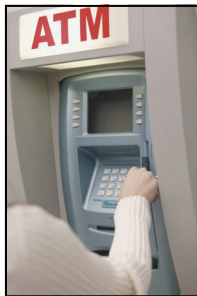




THIS MONTH:

- ◆ Worker, Retiree and Employer Recovery Act of 2008
- ◆ Avoiding Direct Deposit Woes
- ◆ Business-Savvy Tips for the Times
- ◆ Voluntary Use of Form 944

Avoiding Direct Deposit Woes



Direct deposit of your income tax refund makes a lot of sense - you'll get it quicker and it's often safer. This year there are more options for distributing the refund. If you want, your refund can be split into three accounts, including your Individual Retirement Account and Health Savings Account. But take caution and verify routing and account numbers carefully. Although you can usually discern the routing number for your checking account from the face of your checks, routing numbers for other types of accounts are not always apparent. The IRS assumes no responsibility for taxpayer or preparer error and taxpayers should ensure their account and routing information is accurately entered. If you make a mistake and the financial institution rejects the deposit, the IRS will send you a check for that portion of the refund. But if you incorrectly enter an account or routing number belonging to others and the designated financial institutions accepts the deposits, you must work directly with the financial institution to recover the funds.

Worker, Retiree, and Employer Recovery Act of 2008

The Worker, Retiree, and Recovery Act of 2008 was enacted recently. It contains many technical changes that are of interest primarily to actuaries and defined benefit plan administrators. However, the Act also contains several changes that impact a broader range of taxpayers. Below is a brief summary of those provisions.

Required Minimum Distributions (RMDs) suspended. Individuals age 70 ½ or older generally are required to take RMDs from their retirement plans (other than Roth IRAs) each year, or face a steep penalty. Under the Act, no RMD is required for 2009 from defined contribution plans including 401(k) and 401(b) plans, certain Section 457(b) plans, and Individual Retirement Accounts (IRAs). However, it does not apply to those turning age 70 ½ in 2008 who opted to make their first RMD in 2009.



Rollovers from Designated Roth accounts allowed. Before 2010, rollovers to a Roth IRA (other than another Roth) were allowed only if modified AGI is \$100,000 or less. Under the Act, distributions can be rolled over tax free to a Roth IRA regardless of modified AGI.

Rollovers to nonspouse beneficiaries. Prior to the Act, a qualified retirement plan was not required to allow rollovers to a nonspouse beneficiary's IRA. Under the Act, a plan must allow such rollovers.

Partnership/S corporation penalty increase. Before the Act, the penalty for failure to timely file a partnership or S corporation return was \$85 (in some cases \$86) per partner or shareholder per month that the failure continues, up to a maximum of 12 months. The Act changes this amount to \$89.

We hope this information is helpful. If you would like more details about these changes, or any other aspects of the new law, please do not hesitate to call

Business- Savvy Tips for the Times

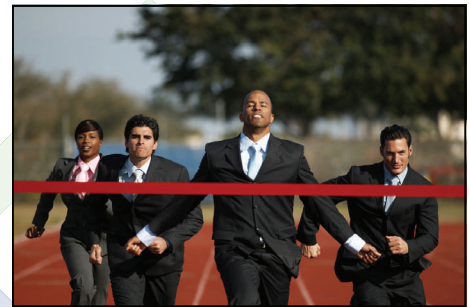


Upfront Billings. Consider trying to get some of your money up front on work for clients and customers. Billing practice changes can be tough on current customers, but new clients and those returning after an absence should not balk. If you provide goods along with services, consider asking for material costs up front. Industry practice does come into play here. Finally, be sure to consider the creditworthiness of the customer.

Turn 'em off. Business equipment - including TVs, DVDs, computers, printers - draw power all the time. Even in 'sleep mode', 10 units (5 printers and 5 computers) could add up to \$100 per year. At the office, turning the units off at night and on weekends makes sense. Any unit that displays a light when plugged but turned off will draw electricity. Consider plugging such units into a power strip that can be turned off when not needed.

Renegotiate. If your lease is expiring soon, take advantage of the soft rental market and ask your landlord for concessions. If you are in retail (vs. office) space and in an older building, your chances of getting a better deal is greater.

Keep an eye on your competitors. You have probably heard that it is wise to keep your friends close, but your enemies closer. Whether or not you agree, it makes good business sense to learn as much as you can about your competitors – legally, that is. There are many ways to do this: talk to suppliers, or just listen carefully to industry talk by attending industry functions and associations. The internet is a great source of information - check out your competitor's web site and its literature.



Voluntary Use of Form 944



Employers whose estimated annual employment tax liability is \$1,000 or less can file Form 944, *Employer's Annual Federal Tax Return*, rather than Form 941, *Employer's Quarterly Federal Tax Return*. Under prior rules, Form 944 must generally be filed if the IRS notifies you to do so. New rules make filing Form 944 voluntary beginning after Dec. 31, 2008. If your annual employment tax liability is expected to be \$1,000 or less, you can contact the IRS to ask to file Form 944 instead of Form 941. The IRS sends a notification letter confirming Form 944 filing if you qualify. If you want to switch back to form 941 mid-year, you must contact the IRS and wait for confirmation that your filing requirement has been changed.

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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.

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