



2009

YEAR-END TAX PLANNING



**POWER-MOTION TECHNOLOGY
REPRESENTATIVES ASSOCIATION**



POWER-MOTION TECHNOLOGY REPRESENTATIVES ASSOCIATION

Dear PTR A Member;

This Tax Guide is provided by your Association in keeping with one of our goals of helping all of our members continue to improve their business operations.

PTR A continues to search for new opportunities to increase the value of your membership, **but the greatest potential value of your PTR A membership continues to be the opportunity to attend our annual National Conference.**

Although the conference is usually held in a resort-caliber location, it is by no means strictly a holiday event. While the schedule includes some organized social/networking activities, the conference is primarily a highly-concentrated business event. Our programs typically concentrate on three main activities:

- Education
- Networking
- Improving rep/principal understanding

The only folks who haven't come to appreciate the value of our conferences are those who haven't attended one.

If you are one of those, our next conference in Charleston, South Carolina would be a great opportunity to find out for yourself. The dates are April 11-14, and the cost is surprisingly reasonable given the location and the program content. Go to the PTR A website at www.ptra.org for program details.

Last year we offered to refund the registration fee to anyone who had not attended a previous PTR A seminar if they did not find the conference a valuable investment. Quite a large number of folks attended for the first time, and not one person asked for a refund.

We're making the same offer this year. If you've never attended a PTR A conference before, come this year. If you don't find this conference a valuable investment we'll be glad to refund your registration fee.

Jay Ownby
Executive Director



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2009 YEAR-END TAX PLANNING

Tax planning primarily concerns the timing and the method by which income is reported and deductions and credits are claimed. The basic strategy for all year-end tax plans is to time your income so that it will be taxed at a lower rate — and to time your deductible expenses (and any tax credits) so that they can be claimed in a year in which you are in a higher tax bracket.

How a tax plan works. There are countless individual tax planning strategies available, particularly if you own a small business. Some are aimed at your individual tax situation, some at the business itself. But regardless of how simple or how complex a tax strategy is, it will be based on structuring the transaction to accomplish one or more of these often overlapping goals:

- reducing taxable income
- reducing your tax rate
- controlling the time when the tax must be paid
- claiming any available tax credits
- controlling the effects of the Alternative Minimum Tax

In order to plan effectively, you'll need to estimate your personal and business income for the next few years. This is necessary because many individual tax planning strategies will save tax dollars at one income level, but will create a larger tax bill at other income levels. You will want to avoid having the "right" tax plan made "wrong" by erroneous income projections.

YEAR-END TAX PLANNING

SHIFTING TAXABLE INCOME | FROM 2010 TO 2009

Although you can't literally lower your tax rate, there are certain actions you can take that will have a similar result. These include:

- **Shifting income from a high-tax-bracket taxpayer** (such as yourself) to a lower-bracket taxpayer (such as your child). One fairly simple way to do this is to shift investment assets to your children. If you have a small business, you can hire your children. Another possibility is to make one or more children part-owners of your small business, so that net profits of the business are shared among a larger group. The tax laws limit the usefulness of this strategy for shifting unearned income to children under age 19 (23 if dependent full-time student), but some tax-saving opportunities still exist.
- **Structuring an investment or transaction so that payments that you receive are classified as capital gains.** Long-term capital gains earned by noncorporate taxpayers are subject to lower tax rates than other income.
- **Choosing the optimal form of organization for your business** (such as sole proprietorship, partnership, or corporation). If your business income is under \$75,000 and your business is not a personal service business like medicine, law, architecture, engineering, accounting, the arts, or consulting, you may be able to save tax dollars by incorporating. Otherwise, the sole proprietorship or pass-through entities (partnerships, LLCs, S corporations) usually offer more tax benefits. One reason for this is that the tax rate on corporate income jumps from 25% to 34% (in 2009 and 2010) at \$75,000, while the individual rates increase more gradually.

DEFER TAXABLE INCOME TO 2010

Many of you can make various arrangements that will delay December 2009 bonuses, salaries, commissions and fees until January 2010. If you are self-employed, postpone sending out further bills until January 2010. Don't cash any savings bonds until next year. Delay all legally possible retirement plan distributions or dividend payments, and stay the exercising of stock options until next year.

ACCELERATE TAX DEDUCTIONS TO 2009

This has the same tax effect as deferring income to 2010, since it decreases your 2009 net taxable income by the amount of the increased deductions. The most obvious ones you can control and accelerate are: (1) charitable contributions (the best, most flexible, and discretionary); (2) real estate tax installments; and (3) state income tax payments. However, those last two tax deductions can help trigger the Alternative Minimum Tax (AMT), so don't overdo them, until you get some expert advice.

CAUTION: If you're subject to the alternative minimum tax (AMT), however, these traditional year-end maneuvers may actually hurt you. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions, making it a significant consideration when it comes to year-end tax planning. For example, if you're subject to the AMT in 2009, prepaying 2010 state and local taxes won't help your 2009 tax situation, but could hurt your 2010 bottom line. **As always, if you're not sure, talk to a tax professional.**

2009 INDIVIDUAL INCOME-TAX RATES

Rate	Single	Head of Household	Married Filing Jointly (and Surviving Spouses)	Married Filing Separately
10%	\$0 - 8,350	\$0 - 11,950	\$0 - 16,700	\$0 - 8,350
15%	\$8,350 - 33,950	\$11,950 - 45,500	\$16,700 - 67,900	\$8,350 - 33,950
25%	\$33,950 - 82,250	\$45,500 - 117,450	\$67,900 - 137,050	\$33,950 - 68,525
28%	\$82,250 - 171,550	\$117,450 - 190,200	\$137,050 - 208,850	\$68,525 - 104,425
33%	\$171,550 - 372,950	\$190,200 - 372,950	\$208,850 - 372,950	\$104,425 - 186,475
35%	Over \$372,950	Over \$372,950	Over \$372,950	Over \$186,475

PERSONAL INCOME | PLANNING TIPS

In 2009, tax law changes ranged from tax credits for employees and undergraduate students to tax breaks for first-time homebuyers and unemployment assistance for workers involuntarily terminated.

STANDARD DEDUCTIONS

The basic standard deduction for 2009 is \$5,700 if single or married filing separately, \$11,400 for married filing jointly or qualifying widow(er) and \$8,350 for head of household. Taxpayers age 65 and older and/or blind receive an additional standard deduction of \$1,100, and \$1,400 if the individual is also unmarried and does not have a surviving spouse. In addition to above-the-line deductions, you can claim the standard deduction or choose to itemize your deductions. Itemized deductions include specific state and local taxes, mortgage interest, and charitable contributions. Even if you do not itemize, some deductions are still available, including traditional IRA, SEP and qualified plan contributions and contributions to Health Savings Accounts. In general, you should itemize if your total allowable itemized deductions are more than the standard deduction, although there are exceptions. Keep in mind that the value of some of your itemized deductions will be reduced if your AGI is above \$166,800 (\$83,400 if married filing separately). This reduction will be eliminated in 2010.

FIRST-TIME HOME-BUYERS

The First-Time Homebuyer Credit increased to \$8,000 in 2009 and is generally available for purchases made between January 1, 2009, and May 1, 2010, provided the home is occupied as the buyer's principal residence within 24 months of the purchase.

NOTE: A first-time homebuyer is defined as someone who has not owned a principal residence in the three years before the purchase.

For purchases made after November 6, 2009, no credit is allowed if the purchase price exceeds \$800,000. The credit only needs to be repaid if the home is sold within 36 months of the purchase date. For purchases made on or before November 6, 2009, the credit phases out for taxpayers with modified AGIs in excess of \$75,000 (\$150,000 for joint returns). The credit is refundable and recaptured if the home is sold within 36 months of the purchase date. For purchases made after November 6, 2009, the phase out starts at modified AGI of \$225,000 for married taxpayers and \$125,000 for all other taxpayers. The credit is completely phased out at modified AGI of \$245,000 for married taxpayers and \$145,000 for all other taxpayers.

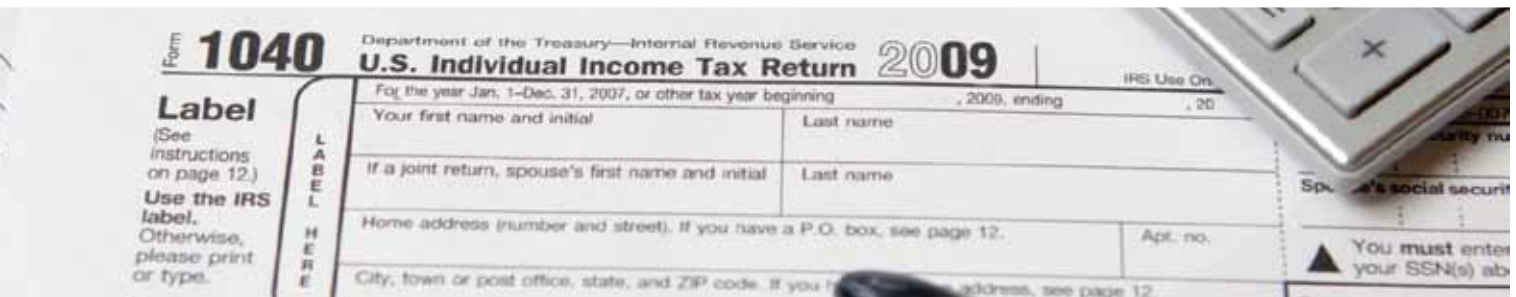
ESTIMATE YOUR 2009 INCOME

Wages, salaries, tips, etc.	\$ _____
Interest and dividends	\$ _____
Profit (loss) from business	\$ _____
Farm income (loss)	\$ _____
Capital gain (loss)	\$ _____
Rents, royalties, partnerships, S corporations, trusts, etc.	\$ _____
Unemployment compensation	\$ _____
Alimony received	\$ _____
Taxable Social Security benefits	\$ _____
Taxable distributions from IRAs, pensions and annuities	\$ _____
Taxable refunds from state and local income taxes	\$ _____
Other income	\$ _____

TOTAL ESTIMATED INCOME

\$ _____

PERSONAL DEDUCTIONS & CREDITS



PERSONAL DEDUCTIONS & CREDITS | PLANNING TIPS

INTEREST AND PROPERTY TAXES

Home mortgage interest on up to \$1 million (\$500,000 if married filing separately) of home acquisition loans secured by your principal residence and/or second home is fully deductible. You also may deduct mortgage interest on a home equity loan or line of credit up to \$100,000 (\$50,000 if married filing separately). Therefore, you can deduct interest on total home debt up to \$1.1 million (\$550,000 if married filing separately).

MORTGAGE DEBT FORGIVENESS

If you still have mortgage liability after foreclosure, any amount forgiven by the lender is generally ordinary income. However, for debt discharged on or after January 1, 2007, and before January 1, 2013, the debt forgiveness is treated as tax free if the property is your primary residence. The limit on qualifying debt is \$2 million (\$1 million for a married person filing separately).

TAX EXCLUSION OF THE SALE OF A PRINCIPAL RESIDENCE

When you sell your principal residence, you can exclude from income up to \$250,000 in gains (\$500,000 if married and filing jointly or a surviving spouse if the sale is within two years of the other spouse's death). To qualify, you must have owned and used your home as a principal residence for at least two years during the five-year period ending on the date of sale.

\$75,000 to \$95,000 for singles or \$150,000 to \$190,000 for married people filing jointly. In 2009, taxpayers will receive the credit through a reduction in employee withholding and self-employed required estimated tax payments.

ECONOMIC RECOVERY PAYMENTS

People receiving social security, SSI, railroad retirement and veteran's disability compensation benefits also receive a one-time \$250 payment, offset by any Making Work Pay Credit.

COBRA PREMIUM ASSISTANCE

The federal government is subsidizing 65% of COBRA premiums for employees who are involuntarily terminated between September 1, 2008, and February 28, 2010. The premium subsidy is in effect for any premium for a period of coverage beginning on or after February 17, 2009, for 15 months. The tax-free element of this subsidy is reduced for singles with modified AGI between \$125,000 and \$145,000, and joint filers with modified AGI between \$250,000 and \$290,000. For singles with modified AGI above \$145,000 and joint filers with modified AGI above \$290,000, the subsidy is treated as gross income. If you are laid off, your employer should notify you about this rule.

2009 FEDERAL LIMITS FOR RETIREMENT ACCOUNTS

Account	Contribution Limit	Catch-up Contribution
401(k), 403(b) and 457	\$16,500	\$5,500
SIMPLE IRA	\$11,500	\$2,500
Qualified Retirement Plans/Keogh and SEP-IRA	20% of net self-employment income (or 25% of compensation), up to \$45,000	none
Individual 401(k)	20% of net self-employment income (or 25% of compensation) plus \$15,500, up to \$46,000	\$5,000
Traditional IRA and Roth IRA	\$5,000	\$1,000

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OTHER RECENT TAX LAW CHANGES THE 'MAKING WORK PAY' CREDIT

The Making Work Pay Credit provides employees, including the self employed, with up to a \$400 tax credit (\$800 for married people filing jointly). The credit is 6.2% of earned income and phases out at modified AGI of

PERSONAL DEDUCTIONS & CREDITS | PLANNING TIPS

UNEMPLOYMENT COMPENSATION

Usually, state unemployment benefits paid to laid-off employees are taxed in full. However, in 2009, the first \$2,400 of unemployment compensation you received is excluded from your gross income and not subject to tax.

ALTERNATIVE MINIMUM TAX (AMT) PATCH

Among the provisions included in the Emergency Economic Stabilization Act of 2008 is the AMT patch, which protects most middle-income taxpayers by increasing the AMT exemption amounts. The 2009 exempt amounts are: \$46,700 for single filers and heads of household, \$70,950 for married taxpayers filing jointly or qualifying widow(er) and \$35,475 for married taxpayers filing separately.

EMPLOYER-SPONSORED 401(K)

Pre-tax contributions to employer-sponsored retirement plans reduce your taxable wages. Matching contributions and income earned within your plan also are tax deferred. The employee contribution limit for 2009 is \$16,500. Employees age 50 or older by the end of 2009 may make an additional catch-up contribution of \$5,500 for 2009. Also, there is no minimum distribution required in 2009 from your 401(k).

CHARITABLE CONTRIBUTIONS

In order to deduct a charitable contribution, you've got to file IRS Form 1040 and itemize your deductions on Schedule A. So, if your allowable charitable deduction plus all your other itemized deductions doesn't add up to more than your standard deduction (for example, married couples filing a joint return are entitled to an \$11,400 standard deduction in 2009), you generally won't realize a tax benefit from the charitable contributions you've made. And because total itemized deductions are currently reduced for higher incomes (this won't be the case in 2010, but it is for 2009), your charitable deduction may consequently be limited as well.

■ QUALIFIED ORGANIZATIONS

You can only deduct contributions that are made to qualified organizations. Churches, synagogues, temples, and mosques automatically qualify. Almost all other organiza-

tions have to apply to the IRS. An organization should generally be able to tell you if it is a qualified organization. You can also check IRS Publication 78, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1986, which is available online at www.irs.gov.

■ DID YOU RECEIVE A BENEFIT?

Generally, if you make a contribution and receive a benefit as a result, you can only deduct the amount that's more than the value of the benefit you receive (for contributions over \$75, the charity must give you a statement describing the value of the goods and services provided to you). So, if you pay \$200 at a charity auction for a weekend getaway that has a fair market value of \$150, your deductible charitable contribution is \$50.

You can, however, deduct your entire payment to a qualifying organization if you receive only a token item or benefit in return, and the organization determines that the value is not substantial and tells you that you can deduct the full amount of your payment. (Special rules apply to payments made to colleges and universities for the right to buy tickets to athletic events.)

■ LIMITS BASED ON INCOME

Your deduction for charitable contributions generally can't be more than 50% of your adjusted gross income (AGI) for the year. A lower percentage AGI limitation may apply to:

- Contributions made to certain organizations (e.g., veterans' organizations, fraternal societies)
- Contributions made "for the use of" any organization (contributions held in trust for the qualifying organization)
- Gifts of capital gain property If these limits prevent you from deducting your contributions in the current year, you're able to carry forward your excess contribution for up to five years.

RETIREMENT PLAN CONTRIBUTIONS

You may contribute up to \$5,000 to fund a traditional or Roth IRA in 2009. Individuals age 50 or older by the end of 2009 can make an additional catch-up contribution of

INVESTMENTS

INVESTMENTS | PLANNING TIPS

\$1,000. If your spouse does not work for compensation, you can contribute to either a traditional IRA or Roth IRA for your spouse based on your own earnings, with the same dollar limits applying. However, the maximum aggregate that can be contributed to a Roth IRA is reduced by contributions made to other IRAs. Traditional IRA contributions may be deductible depending on your modified AGI and whether you or your spouse (if filing jointly) is covered by an employer-sponsored retirement plan. Roth IRA contributions are not deductible, but the earnings accumulate tax deferred and may be withdrawn tax free if you meet the qualified distribution requirements.

For 2009, eligibility to contribute to a Roth IRA is phased out as modified AGI rises from \$105,000 to \$120,000 if single, head of household or married filing separately and not living with spouse at any time in 2009; and \$166,000 to \$176,000 if married filing jointly or qualifying widow(er). Married taxpayers who file separately and lived with a spouse at any time in 2009 cannot contribute to a Roth IRA if their income is \$10,000 or more. Qualified dividend income from a domestic or qualified foreign company is taxed at a top rate of 15% (zero for taxpayers in the 10% or 15% tax brackets in 2009).

CONSIDER HIRING YOUR CHILDREN

Hire your children to work in your business. This is almost always worthwhile and they can establish a Roth IRA with those earnings, or help pay for their college education.

EDUCATION TAX CREDITS

If your income is too high to qualify for education tax credits (to which you are otherwise entitled), consider not claiming that student as a dependent. Then the student may be able to claim the education credit (depending on his/her income), even though you actually paid the tuition.

DEDUCTING LEGAL FEES

Legal fees paid by individuals can represent a tax deduction, if you can get your lawyer to itemize the bills and separately indicate tax-deductible amounts paid for: (1) general tax advice, including services related to estate tax planning; (2) obtaining or maintaining alimony awards;

(3) relating to income-producing property or investments; (4) tax advice related to a divorce.

DEDUCTING LOCAL/STATE TAXES

Taxpayers can elect to either deduct state and local income taxes or sales taxes — whichever is higher.

HEALTH SAVINGS ACCOUNTS

If you are covered by a qualifying high-deductible health plan, you can make a deductible contribution to a Health Savings Account (HSA). Then use your HSA to reimburse yourself for qualifying out-of-pocket medical expenses. There are generally larger deductible HSA contributions for 2009. Also, you may qualify to roll over amounts from your employer's health care flexible spending account (FSA) or health reimbursement arrangement (HRA).

NOTE: As of May 1, 2009, the Health Coverage Tax Credit increased from 65% to 80% of the person's premiums for the qualified health insurance of specific family members. This credit expires in 2011.

REIMBURSED BUSINESS EXPENSES

Verify that you have substantiated all your reimbursed business expenses with your employer, or do so immediately. Unsubstantiated business expense reimbursements will end up being reported as additional income on your Form W-2. As a general rule, expenses should be substantiated within 60 days from when they are incurred and excess reimbursements repaid to the employer within 120 days.

SALE OF PRINCIPAL RESIDENCE

When you sell your principal residence, you can exclude from income up to \$250,000 in gains (\$500,000 if married and filing jointly or a surviving spouse if the sale is within two years of the other spouse's death). To qualify, you must have owned and used your home as a principal residence for at least two years during the five-year period ending on the date of sale.

INVESTMENT PROPERTY INHERITANCE

If you inherited investment property from a decedent, any gain from the sale of that property is always a long-term

BUSINESS INCOME | PLANNING TIPS

gain — even if it was not held for over one year by you. This is because of a special rule, under IRC 1223(11). Also remember that the inherited property currently gets a tax basis equal to the fair market value on the date of death — and not the original cost.

AVOIDING THE WASH-SALE RULE

You cannot claim a current loss for the sale of a stock (or other security), if, within 30 days before or after that sale, you buy the same (“substantially identical”) stock or other security. Here are three ways to avoid the wash-sale rule (and one that no longer works):

Sell the stock you hold and then wait 31 days to buy it back. Your risk is that the stock will go up during the 31-day waiting period. Buy more of the stock first and then sell the older stock 31 days later. Your risk is that the stock will decline during the 31-day waiting period.

Simultaneously sell and buy the stocks of similar companies, which avoid the wash-sale rule completely — since they are not considered “substantially identical” (e.g., you simultaneously sell General Motors stock and buy Ford, or maybe Studebaker and Pierce-Arrow). Then, after 31 days, you can sell and buy back — to restore your original position (if you wish).

The IRS has finally ruled (after some years of deliberation) that the wash-sale rule does indeed apply in a case where you personally sell 1000 shares of XYZ stock at a loss — and simultaneously buy 1000 shares of XYZ in your retirement plan (or visa versa). SO, that loophole has been plugged.

SECTION 179 DEPRECIATION

The American Recovery and Reinvestment Act (ARRA), enacted in February 2009, extended the bonus depreciation and increased the section 179 deduction. For many businesses, these two provisions are only available this year and, as a result, they only have a few months to take action and save on their taxes. Here is a quick rundown of these provisions.

Many small businesses that invest in new property and equipment will be able to write off most or all of these purchases on their 2009 returns. The new law extends through 2009 the special 50 percent depreciation allowance, also known as bonus depreciation, and increased limits on the section 179 deduction, named for the relevant section of the Internal Revenue Code. Normally, businesses recover these capital investments through annual depreciation deductions spread over several years. Both of these provisions encourage these investments by enabling businesses to write them off more quickly.

The section 179 deduction enables small businesses to deduct up to \$250,000 of the cost of machinery, equipment, vehicles, furniture and other qualifying property placed in service during 2009 (\$285,000 for qualifying enterprise zone property and qualifying renewal community property). This limit is reduced by the amount by which the cost of section 179 property placed in service in the tax year exceeds \$800,000. Without the new law, the limit would have dropped to \$133,000. The existing \$25,000 limit still applies to sport utility vehicles. A special phase-out provision effectively targets the section 179 deduction to small businesses and generally eliminates it for most larger businesses.

EXERCISING STOCK OPTIONS

If you own “non-qualified stock options” (NQOs), consider whether it may be prudent to exercise them (all or a portion) in 2008. This action will generate taxable income, so from both a tax and investment perspective — get expert advice as to whether this is a smart thing to do.

The exercise of “incentive stock options” (ISOs) generally does not trigger regular income taxes, but can subject you to the AMT on the “bargain element” of the option. If you qualify, you will again need some expert advice as to ‘in what year’ and ‘how much’ to exercise. (Personally, I don’t have this problem — as I exercise very little.)

BUSINESS DEDUCTIONS & CREDITS



BUSINESS DEDUCTIONS & CREDITS | PLANNING TIPS

MUNICIPAL BONDS

Some investors think that because the interest earned on municipal bonds is tax-free — that any losses on such bonds cannot be deducted. Any loss on the sale of the actual bond represents a tax-deductible capital loss. Consider “bond swapping.” If you have tax-exempt bonds that have gone down in value, you can sell them to obtain that tax loss. Then, you buy back similar (not absolutely identical) bonds that deliver about the same amount of steady income. And voila — you have a tax-deductible loss and the same income as before.

CLAIMING BAD DEBTS & LOSSES

Claim any worthless bad debts and losses from Section 1244 business stock. Any Section 1244 losses represent an ordinary (not capital) loss deduction up to the annual limits — \$100,000 (joint tax return, \$50,000 (others) — and are thus quite valuable. Claim any other worthless bad debts and, if possible, sell any worthless or near worthless securities (say for a \$1 or \$10), as this positively establishes both your exact loss and the year.

If you have unused passive losses which have been carried into 2009 (frequently from real estate limited partnerships) and you would like to claim them in 2009 (because this is a high-income year, or for other reasons), consider this option: If you sell the activities with the suspended losses in 2009, those losses then become “ordinary” losses and can be used to offset all your ordinary income this year!

TAX TIP: You must sell to an “unrelated third party” or this idea will not work. Your son-in-law or daughter-in-law are both considered unrelated third parties (as is your CPA).

CAPITAL GAINS & LOSSES

The maximum tax rate on net long-term capital gains remains at 15% for 2009. For taxpayers in the 10% or 15% tax brackets, the tax rate on long-term capital gains is zero. Capital gains on investments held for one year or less are taxed at regular income tax rates.

REPORTING HIGH INCOME OR LARGE CAPITAL GAINS

The 0% capital-gains rate on investment profits and dividends for those in the 10% and 15% income-tax brackets first appeared last year, and the break is sched-

uled to continue through 2010. To qualify for preferential treatment for long-term capital gains, you must hold shares of your stocks or mutual funds for more than a year before selling. (This applies to assets in taxable accounts, not those in retirement accounts. Profits inside a tax shelter are not taxed when the gains are realized but are taxed at your ordinary rates upon withdrawal.) Short-term capital gains on assets held less than a year are taxed at a maximum 35%.

To take advantage of the 0% capital-gains rate this year, your taxable income can't exceed \$33,950 if you are single, \$45,500 if you are a single head of household or \$67,900 if you are married filing jointly. Note that taxable income is what's left after you subtract personal exemptions -- worth \$3,650 each this year for you, your spouse and your dependents -- and your itemized deductions or standard deduction from your adjusted gross income. (The standard deduction for 2009 is \$5,700 for individuals, \$8,350 for heads of household and \$11,400 for married couples. Plus, there's an added standard deduction of \$1,100 per person for married people 65 or older and \$1,400 for single filers 65 or older.)

Any gains that lift your income above that threshold would be taxed at the maximum 15% capital-gains rate.

One group of taxpayers won't benefit from the zero capital-gains rate: children affected by the recently expanded “kiddie tax.” Dependent children younger than 19 and full-time students younger than 24 are affected by the special rule that applies their parents' higher tax rate to their investment income in excess of \$1,900 in 2009.

BUSINESS START-UP COSTS

Business start-up costs of over the first \$5,000 must now be written off over 15 years instead of 5 years. However, the first \$5,000 can now be deducted immediately. There are two categories covered by this provision: “organization costs,” incident to the creation of a corporation or organization of a partnership or LLC, and “start-up costs” that are business expenses paid before the business began.

BUSINESS MILEAGE DEDUCTIONS

The standard business mileage rate for 2009 is 55¢ per mile. This applies for both tax-free reimbursements and

tax-deduction purposes. If you have been reimbursing employees at a lower rate per mile, you could retroactively (to January 1, 2009) increase their reimbursements to the higher limits — tax-free. This could even represent a tax-free Christmas bonus, or be paid in lieu of (taxable) salary. The rate for travel for medical care and moving expenses is 24 cents per mile. The rate for travel involving work you perform for a qualified charity is still 14 cents per mile in 2009.

DOCUMENTATION FOR CHARITABLE DONATIONS

Remember — all cash donations to charity must now be documented — from \$1 and up! A cancelled check, credit card receipt, or a written confirmation from the charity is mandatory. For donations of \$250 and up, you must obtain a charity-provided acknowledgment.

BUSINESS TRAVEL DEDUCTIONS

If you have business travel scheduled for early next year, and you have some leeway in scheduling the dates — consider moving the travel into this year to accelerate your tax deductions.

2009 CORPORATE TAX RATES*

If taxable income is over:	But not over:	Your tax rate is:
\$0	\$50,000	15%
\$50,000	\$75,000	25%
\$75,000	\$100,000	34%
\$100,000	\$335,000	39%
\$335,000	\$10,000,000	34%
\$10,000,000	\$15,000,000	35%
\$15,000,000	\$18,333,333	38%
\$18,333,333		35%

*Personal Service Corporations are subject to a flat tax of 35% regardless of income

NAICS (IRS) CODES | FOR REPS

The 6-digit NAICS (North American Industry Classification System) business code system replaced the former U.S. Standard Industrial Classification (SIC) system in 1997. The NAICS system has undergone two revisions since 1997, one in 2002 and the most recent one in 2007. The 2007 revision was essentially unchanged from the 2002 revision for manufacturers' representatives and distributors.

For "pure reps" that don't buy and resell, the following applies:

425120 Wholesale Trade Agents and Brokers

This industry comprises wholesale trade agents and brokers acting on behalf of buyers or sellers in the wholesale distribution of goods. Agents and brokers do not take title to the goods being sold but rather receive a commission or fee for their service. Agents and brokers for all durable and nondurable goods are included in this industry.

Illustrative Examples:

Independent sales representatives
Manufacturers' sales representatives

For distributors, the correct code must be selected from the sub-sectors of:

423 Merchant Wholesalers, Durable Goods or 424 Merchant Wholesalers, Non-Durable Goods

If you are a manufacturers' representative that also buys and resells, and therefore takes title to some of the products you sell, you will need to choose the code that most closely fits your business when filing your tax return. Remember, the IRS will compare your tax return to the population of filers that use the same code you choose for the purpose of selecting your return for further review.

Visit the following websites for more information:

naicscode.com
www.naics.com
www.census.gov/epcd/www/naics.html



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