

Year end Strategies:

-Defer the receipt of unnecessary income till 2009 if possible.

If possible do not invoice until 2009;

-Pay all expenses such as real estate taxes which are due from November through March (take maximum discount), dues to business publications, etc. before year end 12-31-2008 so you can deduct as much as possible in the current year. Also if you were planning to purchase fixed assets try to purchase them in the current year rather than next year.

-If possible make an IRA contribution of up to \$ 5,000. You have till April 17, 2009.

-If you were planning to contribute old clothes, furniture or general property to Goodwill, or cash to any approved organization, do this before year end.

-Gather all the necessary tax documents and receipts to be able to complete and insert in our firm's **ORGANIZER** which will be mailed to you in early January 2009. -Be on the look out for personal income tax related mail in the next couple of months. Insert these important documents in our **ORGANIZER** in order to prepare a complete and accurate tax return as well as reduce the taxes to a minimum.

Rent Expense Strategies

Rent your home to your business: Rent you home or vacation home to your own corporation and get tax-free rental income.

Key: When you rent your home out for 14 or fewer days during the year, the rental income you receive is tax free-you don't even have to report it on your tax return.

Moreover, if your corporation rents your home for a legitimate business purpose, it can deduct what it pays you. So your business will deduct a payment to you that you receive tax free.

This concept can be expanded if you truly use your home for the benefit of your corporate business in that you can pay yourself from your corporation a rent amount monthly. Call me to further discuss this strategy.

Safety: Document the business purpose of the rental-such as to serve as the site of business meetings. Authorize and explain the rental in records.

Best: Corporate minutes. And have the corporation pay a market-rate rent.

THE SEVEN HABITS OF HIGHLY EFFECTIVE PEOPLE

1. BE PROACTIVE

 2. START WITH THE END IN MIND
 - A. HAVE A MISSION WITH GOALS AND VALUES FOR PERSONAL AND BUSINESS LIFE

 3. PUT FIRST THINGS FIRSTS
 - A. KNOW THE DIFFERENCE BETWEEN IMPORTANT AND URGENT
 - B. IMPORTANT ARE THINGS THAT CONCERN YOUR MISSION (2 ABOVE)
 - C. URGENT ARE THINGS THAT MUST BE DONE NOW TO AVOID PROBLEMS

 4. WIN-WIN IN ALL BUSINESS AND PERSONAL DEALINGS; THIS MEANS THE TRANSACTION MUST BE GOOD FOR ALL INVOLVED.

 5. UNDERSTAND YOURSELF FIRST SO YOU MAY UNDERSTAND OTHERS

 6. SYNERGY
 - A. MORE THAN A COMPROMISE WHERE $1+1=1.5$
 - B. IN SYNERGY $1+1=3$ OR 4
 - C. IT IS INTERDEPENDENCE WHERE DIFFERENCES ARE SOLVED BY A MUTUAL AGREEMENT THAT IS BETTER THAN EACH RESPECTIVE POINT OF VIEW INDEPENDENTLY

 7. SHARPEN THE SAW
 - A. EXERCISE THE BODY
 - B. EXERCISE THE MIND BY LEARNING VIA READING, ETC.
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Depreciation Strategies

Businesses acquiring fixed assets during the 2008 calendar year. With the December accounting pkg, let me know via a schedule of any fixed assets additions you have purchased in 2008.

Background:

Fifty Percent Bonus Depreciation. The ESA permits taxpayers to claim a bonus first-year depreciation deduction on qualified depreciable property. The additional depreciation deduction is equal to 50 percent of the adjusted basis of the eligible property. There is no limit on the amount of the deduction.

Assuming no further regulations are issued by the IRS, rules governing the new deduction are similar to rules enacted for pre-2008 bonus depreciation. Property eligible for the deduction must meet six criteria:

- The property must fall into one of the following groups: (a) tangible property with a tax recovery period less than 20 years; (b) purchased computer software; (c) water utility property; or (d) qualified leasehold improvement property.
- The property must be purchased and placed in service after Dec. 31, 2007, and before Jan. 1, 2009. An exception, however, is that certain property with a production period exceeding one year and a cost in excess of \$1 million may qualify for the deduction if placed in service before Jan. 1, 2010.
- Property purchased during 2008 for which a binding agreement was in place prior to Jan. 1, 2008, does not qualify for the deduction.
- Only property for which the taxpayer is the *original* purchaser qualifies for the deduction (in other words, used property does not qualify for the deduction).
- Property purchased from a related party or self-constructed property for which construction began prior to Jan. 1, 2008, does not qualify for the deduction.
- The property may not be ineligible property, such as property owned by a controlled foreign corporation.

The deduction is not affected by short taxable years. The deduction will be allowed for regular tax and alternative minimum tax purposes. The deduction will be computed after the application of any allowable small-business expensing. Additionally, the luxury auto limitation on first-year depreciation has increased from \$4,600 to \$8,000.

Small-business Expensing. The ESA increases and extends the small-business expensing election. For tax years beginning in 2008, taxpayers are allowed to expense up to \$250,000 of eligible property that is placed in service during the 2008 tax year. The expensing amount is reduced if the total amount of eligible property placed in service during the 2008 tax year exceeds \$800,000. Property eligible for the small-business expensing election includes tangible property and computer software acquired for use in a business. The expensing election is not available to estates, trusts, and certain

noncorporate lessors. The small-business expensing election is allowed for both regular and alternative minimum tax purposes.

The temporary increase in the expensing limits expires for property placed in service in tax years beginning in 2009. The amount of the deduction for property placed in service after 2008 but before 2011 is \$125,000, adjusted annually for inflation. The expensing amount is reduced if the total amount of eligible property placed in service during the 2009 tax year exceeds \$510,000.

Return Filing Strategies

- When in doubt, deduct it.
- Sign your return yourself.
- File your return later, not earlier.
- File an automatic extension form 4868.

- Increase as necessary your end of year withholding to avoid penalties

FAMILY TIES

Estate Planning Strategies

- Buy life insurance to pay possible estate taxes if you estate is more than \$ 2,000,000; Life insurance is not taxable to recipient and if purchased by a kids trust is not included in your estate.

- Keep your will up-to-date.

- Give gifts to children of \$ 12,000 per year, per child, in order to reduce estate taxes.

- Create an irrevocable trust to protect your estate.

- Use a dual trust (A/B Husband and Wife) to double the unified credit \$ 2,000,000 exclusion if your estate is over \$ 2M

- Give charitable gifts in order to reduce the estate value so to lower your estate taxes.

*Thank you for letting us serve you,
ROLANDO E. LEIVA, CPA, PA*