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TAX NEWSLETTER – JANUARY 2009

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1. FICA AND SELF-EMPLOYMENT TAXES

	<u>2009</u>	<u>2008</u>
Social security wage base maximum taxed at 6.2%	\$ 106,800.00	\$102,000.00
Medicare wage base maximum taxed at 1.45%	<u>No limit</u>	<u>No limit</u>

For example:

	<u>2009</u>	<u>2008</u>
Amount of wages	\$ 106,800.00	\$102,000.00
Social security at 6.2%	6,621.60	6,324.00
Medicare at 1.45%	<u>1,548.60</u>	<u>1,479.00</u>
Total on "7.65% wages"	8,170.20	7,803.00
Employer matching	<u>8,170.20</u>	<u>7,803.00</u>
Total tax	<u>\$ 16,340.40</u>	<u>\$ 15,606.00</u>

For wages in excess of the above amounts, the employee and employer share is each 1.45% (total of 2.9% on an unlimited amount of wages).

The tax rate for self-employed individuals is computed the same way; however, an income tax deduction may be claimed for one half of the self-employment tax.

The payment of \$1,700 or more to a household employee age 18 or over in 2009 will require the payment of federal employment taxes (\$1,600 in 2008).

	<u>2009</u>	<u>2008</u>
2. <u>PERSONAL EXEMPTION</u>	\$ 3,650.00	\$ 3,500.00
3. <u>SOCIAL SECURITY COST OF LIVING INCREASE</u>	5.8%	2.3%
4. <u>STANDARD DEDUCTION</u>		
Married filing joint	\$11,400	\$10,900
Head of household	8,350	8,000
Single	5,700	5,450
Married filing separately	5,700	5,450

The standard deduction that may be taken by someone who is claimed as a dependent on another taxpayer's return is the greater of \$950 for 2009 and \$900 for 2008 or the amount of his or her "earned" income plus \$300.

For 2008 and 2009, non-itemizers can still deduct \$500 (\$1,000 on a joint return) for real property taxes.

The additional standard deduction for married individuals (whether filing jointly or separately) who are age 65 and over, or who are blind is \$1,100 in 2009 and \$1,050 in 2008. The additional standard deduction for single individuals who are age 65 and over, or who are blind, is \$1,400 in 2009 and \$1,350 in 2008.

5. MAXIMUM EARNINGS WITHOUT LOSING SOCIAL SECURITY BENEFITS

	<u>2009</u>	<u>2008</u>	<u>Benefits Lost</u>
Ages 62-64	\$14,160	\$13,560	\$1 for each \$2 over maximum
Ages 65 and over	unlimited	unlimited	none

If full retirement age will be reached in 2009, \$1 of benefits will be withheld for every \$3 of earnings over \$37,680, but the reduction applies only for months prior to attaining full retirement age. There is no reduction for earnings starting with the month in which full retirement age is reached (65 and 10 months for those born in 1942 and 66 for retirees born in 1943). Maximum social security benefits in 2009 and 2008 are \$2,323/mo and \$2,185/mo. For more answers to your social security questions, go to www.socialsecurity.gov.

6. FEDERAL INCOME TAX RATES - 2008

Tax Rate	Joint	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	\$ 0 – 16,050	\$ 0 – 8,025	\$ 0 – 11,450	\$ 0 – 8,025	–
15%	\$ 16,051 – 65,100	\$ 8,026 – 32,550	\$ 11,451 – 43,650	\$ 8,026 – 32,550	\$ 0 – 2,200
25%	\$ 65,101 – 131,450	\$ 32,551 – 78,850	\$ 42,651 – 112,650	\$32,551 – 65,725	\$2,201 – 5,150
28%	\$131,451 – 200,300	\$ 78,851 – 164,550	\$112,651 – 182,400	\$65,726 – 100,150	\$5,151 – 7,850
33%	\$200,301 – 357,700	\$164,551 – 357,700	\$182,401 – 357,700	\$100,151 – 178,850	\$7,851 – 10,700
35%	Over \$357,701	Over \$357,701	Over \$357,701	Over \$178,851	Over \$10,701

CORPORATE TAX RATES

Taxable Income	Pay +	% on excess	of the amount over
Up to \$50,000	\$ 0	15%	\$ 0
\$50,001-\$75,000	7,500	25%	50,000
\$75,001-\$100,000	13,750	34%	75,000
\$100,001-\$335,000	22,250	39%*	100,000
\$335,001-\$10 million	113,900	34%	335,000
\$10 million-\$15 million	3,400,000	35%**	10,000,000
\$15 million-\$18,333,333	5,150,000	38%***	15,000,000
Over \$18,333,333	0	35%	0

* Includes additional 5% "recapture" tax under 1986 law.

** Personal service corporations pay a flat rate of 35%.

*** Includes additional 3% "recapture" tax under 1993 law.

7. CAPITAL GAINS

Net Long-Term Capital Gains after May 5, 2003 are taxed at a maximum 15% rate (5% for individuals in the 10% or 15% bracket) if held more than 12 months.

In 2008, the 5% capital gains rate for individuals in the 10% or 15% tax bracket becomes zero. In order to qualify for the 0% capital gains rates in 2008, your taxable income, including the capital gains and qualifying dividends, has to be below the 25% tax bracket. In 2008 the 25% rate began at \$32,550 for single and \$65,100 for married taxpayers.

Exceptions! Long-term capital gains on the sale of collectibles (e.g., works of art, jewelry, rug or antique, metal or gem, stamp or coin, alcoholic beverage) are taxed at a maximum tax rate of 28%. Also, long-term gain on the sale of depreciable real estate (e.g., depreciable buildings) representing depreciation previously taken, will be taxed at a maximum rate of 25%.

For any client who owns a C corporation, it is generally possible to pay dividends from that corporation and realize a federal tax of only 15%.

8. ALTERNATIVE MINIMUM TAX RATES

The rates for the alternative minimum tax for 2008 are:

Alternative minimum taxable income (AMTI) of \$175,000 or less (\$87,500 for married filing separately)	26%
Amount of AMTI in excess of \$175,000 (\$87,500 for married filing separately)	28%

Generally, the alternative minimum tax rate on capital gains and dividends drops to the applicable capital gains or dividend rates.

The alternative minimum taxable income exemption amount in 2008 is \$69,950 for married persons filing a joint return (\$46,200 for single persons and heads of households). The exemption is phased out by 25% of AMTI of married persons exceeding \$150,000 (\$112,500 for single persons and heads of households), causing the exemption amount to be completely phased out

when AMT is \$429,800 or more (\$297,300 for single persons and heads of households).

9. CHILDREN'S EARNINGS

Children subject to "Kiddie Tax" who do not have earned income from jobs can earn up to \$1,900 in 2009 and \$1,800 in 2008 without being taxed at the parents' federal tax rates.

10. LONG - TERM CARE INSURANCE

Premiums paid for a qualified long-term care insurance contract are a deductible medical expense, but the deductible amount of the premium is limited by the age of the individual at the close of the tax year. The maximum deductible amounts (per person) for 2007 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Age 40 and less	\$ 320	\$ 310
Age 41 - 50	600	580
Age 51 - 60	1,190	1,150
Age 61 - 70	3,180	3,080
Age 71 and older	3,980	3,850

11. ESTIMATED TAX PAYMENTS

To avoid a penalty for underpaying taxes in 2008 and later years, taxpayers with adjusted gross income of up to \$150,000 (\$75,000 for married individuals filing separately) are required generally to pay at least 100% of the prior year tax liability or 90% of their current year tax liability via withholding and estimated taxes.

An individual with adjusted gross income in excess of \$150,000 (\$75,000 for a married individual filing separately) in 2008 and thereafter can generally avoid the estimated tax penalty by paying 110 percent of the amount of tax shown on the prior year's tax return.

For State of Georgia purposes, underpayment penalties can be avoided by paying 100% of the prior year tax or 70% of the current year tax.

12. ESTATE, GIFT AND GENERATION SKIPPING TAX

Estate and generation skipping tax rates are lowered annually through January 1, 2010 when the estate and generation skipping taxes (GST) are eliminated. However, the estate tax repeal is one of many "sunset" provisions; so the tax will return January 1, 2011. Many tax professionals anticipate legislative revisions to these rules prior to 2010.

Also, although estate and generation skipping taxes are reduced then eliminated in 2010, the gift tax is not repealed but will be lowered to the top individual income tax rate in 2010.

<u>Year</u>	<u>Estate/GST Exemption</u>	<u>Estate and GST Maximum Tax Rate</u>	<u>Gift Tax Exemption</u>	<u>Gift Tax Maximum Rate</u>
2007	2 million	45%	1 million	45%
2008	2 million	45%	1 million	45%
2009	3.5 million	45%	1 million	45%
2010	Tax repealed	0%	1 million	35%
2011	1 million/1.06 million	55% + 5%*	1 million	55% + 5%*

* There is a 5% surtax to eliminate the effect of the graduated tax brackets. Transfers exceeding \$10,000,000 up to \$17,184,000 are subject to the surtax.

Along with the repeal are new rules for calculating basis of property acquired from a decedent after 2009. Property will pass at the lower of its fair market value at date of death or the decedent's basis, rather than being "stepped up" to its fair market value as it generally passes now. However, each estate will receive 1.3 million of basis to allocate to its assets (never to exceed the asset's fair market value) or 3 million of basis to be allocated to assets passing to the surviving spouse. Additionally, the \$250,000 exclusion of gain from the sale of a principal residence by an individual will be extended to estates and heirs.

13. GIFT-TAX EXCLUSION

The gift tax exclusion is \$12,000 for 2008 and \$13,000 for 2009.

14. PHASE-OUTS

— Itemized deduction limit

The law disallows itemized deductions in an amount equal to 1% of a taxpayer's adjusted gross income over \$166,800 in 2009 and over \$159,950 in 2008 (\$83,400 and \$79,975 for married individuals filing separately). Certain deductions (medical expenses, casualty losses and investment interest) are exempt when calculating the limit. In no event, however, will the deduction be reduced by more than 80% of total itemized deductions.

— Exemption phase-out

The law also phases out the tax benefits of the personal exemption (worth \$3,650 each in 2009 and \$3,500 in 2008) as the taxpayer's adjusted gross income exceeds a threshold amount. The phase-out ranges for exemptions for 2008 are:

Single	\$159,950-\$284,950
Married - Joint	\$239,950-\$364,950
Married - Separate	\$119,975-\$182,475
Head of Household	\$199,950-\$324,950

The exemption amount for each of a taxpayer's exemptions is phased out by 2% for each \$2,500 (or fraction thereof) by which the taxpayer's AGI exceeds the applicable threshold amount. (The phase-out rate is 2% for each \$1,250 of AGI beyond the threshold for married persons filing separately.) For 2008 and 2009 the phase out is reduced by 2/3.

15. RETIREMENT PLAN LIMITS

	<u>2009</u>	<u>2008</u>
Maximum deferred compensation contribution to 401(k) plans	\$ 16,500	\$ 15,500
Maximum earnings used to determine retirement benefits	245,000	230,000
Limit on annual additions to SEPs	49,000	46,000
Maximum SIMPLE IRA contribution	11,500	10,500
Income limit for definition of "highly compensated"	110,000	100,000

Additional "catch-up" contributions may be made by anyone who is 50 years old or turns 50 during the year. The additional contribution plus elective deferrals cannot exceed compensation, and provided it does not, the maximum additional contribution for 2009 and 2008 to Simple Plans & Simple IRA's is \$2,500, and to 401(k) and all other employer plans is \$5,000 for 2008 and \$5,500 for 2009.

16. IRS INTEREST RATES ON UNDERPAYMENT OF TAXES

2009	First quarter	6%
2008	First quarter	7%
2008	Second quarter	6%
2008	Third quarter	5%
2008	Fourth quarter	6%

17. ELIGIBILITY FOR MAKING TRADITIONAL (NOT ROTH) IRA CONTRIBUTIONS

If neither you nor your spouse is covered under a retirement plan, you can always make a deductible IRA contribution of up to \$5,000 for 2008 and 2009. In addition, individuals who are at least 50 by year end can make an additional catch up contribution. The catch up addition is \$1,000 for 2009 and 2008.

If you are covered under a retirement plan, amounts may not be deductible, depending on your income level:

If you are Covered by an Employer Retirement Plan:

Filing Status	Reduced Deduction if Modified AGI	
	2009	2008
Single/Head of Household	\$55,000 - \$65,000	\$53,000 - \$ 63,000
Married-joint	89,000 - 109,000	85,000 - 105,000
Married-separate	0 - 10,000	0 - 10,000

If you are Not Covered by an Employer Retirement Plan, but Your Spouse Is:

Filing Status	Reduced deduction if Modified AGI	
	2009	2008
Married-joint	\$166,000 - \$176,000	\$159,000 - \$169,000
Married-separate	0 - 10,000	0 - 10,000

18. ROTH IRA'S

The \$5,000 maximum 2008 and 2009 contributions that can be made to a Roth IRA are the same as for a traditional IRA but are phased out for 2008 for single taxpayers with modified adjusted gross income (MAGI) between \$101,000 and \$116,000, for joint filers with MAGI between \$159,000 and \$169,000, and for married filing separately with MAGI between \$0 and \$10,000. For 2009, the phaseout ranges for single individuals and joint filers range from \$105,000 to \$120,000 (single) and \$166,000 to \$176,000 (joint).

In order to receive the tax-free advantages of a Roth, a five-year holding period must be satisfied as well as meeting one of the following four requirements. The distribution must be made: (1) after the individual attains 59½; (2) to a beneficiary on or after the individual's death; (3) because of disability; or (4) to pay for certain first-time home buying expenses.

19. NANNY TAX

The amount paid by an employer for domestic services in the employer's home will not be considered FICA wages if less than \$1,700 for 2009 and \$1,600 for 2008.

20. GEORGIA 529 COLLEGE SAVINGS PLAN

Beginning with the 2007 tax year, Georgia's 529 College Savings Plan Contributions, now known as Path2College 529 Contributions, are deductible up to \$2,000 on behalf of any beneficiary for Georgia income tax purposes regardless of the taxpayer's annual income. In order to claim the deduction (generally worth \$120 in tax savings) it is not necessary to itemize deductions. In addition, grandparents and others can make contributions since the beneficiary does not need to be a dependent in order to claim the deduction. The plan is managed by TIAA-CREF Tuition Financing Inc.

21. SECTION 179 DEDUCTION AND BONUS DEPRECIATION

All businesses are allowed to expense up to \$133,000 in 2009 and \$250,000 in 2008 of the full cost of what would otherwise be depreciable personal property; however this amount begins to phase out when total personal property acquisitions exceed \$530,000 (2009) and \$800,000 (2008). This Section 179 deduction also applies to up to \$25,000 paid for vehicles having a gross loaded weight of more than 6,000 pounds (many SUV's weigh enough to qualify).

50% bonus depreciation is allowed for qualifying MACRS property acquired during 2008. This allowance is only available for new property which is depreciated under MACRS and has a recovery period of 20 years or less. This would include, for example, furniture, computer and equipment purchased new and placed in service during calendar year 2008.

22. Uniform Lifetime Table

To calculate minimum required distributions from IRAs and retirement plans, use the following formula for each account:

$$\frac{\text{Account Balance as of December 31 of the prior year}}{\text{Factor from New Uniform Lifetime Table*}} \\ \text{(adjusted, if necessary, for any rollovers or transfer in process on 12/31 of the prior year)} \quad \text{(use the divisor that corresponds to the age the account owner attained in the MRD year)}$$

Example:

Account balance as of December 31 of the prior year: **\$100,000**

IRA owner's attained age in MRD year: **72**

MRD Divisor = \$100,000 / 25.6 = \$3,906.25

Uniform Lifetime Table

Age of Account Owner	Divisor	Age of Account Owner	Divisor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and older	1.9

*The Uniform Lifetime Table can be used by all IRA owners, unless their sole beneficiary for the entire year is their spouse who is more than 10 years younger. In that case, the regular Joint Life Expectancy Table is used, which could reduce the MRD even further. Note: If you are taking MRDs from an inherited IRA, the formula, example, and table above are not applicable.

23. TAX CREDIT FOR PURCHASERS OF NEW HOMES

Purchasers of homes during the period April 9, 2008 through June 30, 2009 may be eligible for a tax credit of 10% of the purchase price, or \$7,500, whichever is less. If you owned a home during the three year period prior to the date of purchase, you do not qualify; otherwise, your purchase of a new home, old home, or home in any location or condition will qualify. The benefit, however, is phased out at adjusted gross income levels between \$75,000 and \$95,000 (single) and \$150,000 and \$170,000 (married). The bad news is that the credit must be paid back in equal annual installments starting in the second tax year after purchase and continuing for 15 years, making the "credit" an effective "tax-free loan" from the government. If the credit is the maximum \$7,500, the pay-back would be \$500 each year for 15 years. If the house is sold before the entire tax credit has been repaid, it must be repaid from proceeds of the sale.

24. STANDARD MILEAGE RATES

The standard mileage rate for cars used in business is 55 cents for 2009 and 50.5 cents for the first half of 2008 and 58.5 cents for the second half. The rate for charitable use remains at 14 cents. The rate for medical and moving expenses is 24 cents for 2009 and 19 cents for the first half and 27 cents for the second half of 2008.

25. AUTOMOBILE DEPRECIATION

For a vehicle acquired during 2008, your depreciation deductions are generally limited to the following amounts (trucks, vans and electric vehicles carry a higher amount):

	<u>Autos</u>	<u>Trucks & Vans</u>
Year 1	\$10,960*	\$11,160*
Year 2	\$4,800	\$5,100
Year 3	\$2,850	\$3,050
Year 4 and thereafter until cost is recovered	\$1,775	\$1,875

If the business use percentage is less than 100% (which is often the case), your deductions are even smaller. You must multiply the above numbers by the business percentage.

* Applies unless taxpayer elects out of bonus depreciation; otherwise, the deduction is \$2,960 for autos and \$3,160 for trucks and vans.

26. 1099 AND W-2 REMINDERS

If you operate a trade or business (including the ownership of rental property) and make payments of \$600 or more for rent or for services to any non-corporate entity, remember to report the payments to the payee in January. In addition, the 1099's must be filed on all interest and dividend payments in excess of \$10. Also remember that income reflected on W-2's must be grossed up to include the personal usage of vehicles and that FICA tax must be withheld.

Payers must insert on the Form 1099 the phone number of someone who can answer questions about what is on the form.

The 1099's and W-2's must be sent to the IRS by February 28th. Penalties for non-filers are \$50 each for failure to file with the IRS and to provide a copy to the payee (total penalty of \$100).

27. BACKUP WITHHOLDING

Aside from the requirement to file form 1099's, a requirement also exists to withhold taxes from individuals to whom 1099's will be provided unless such individuals complete form W-9's indicating their taxpayer identification numbers and the fact that they are not subject to backup withholding.

We recommend that all businesses obtain a properly completed form W-9 from all non-employees with whom they conduct business unless they are obviously incorporated entities. (The normal reporting requirements do not apply to incorporated entities.) When in doubt ask for the W-9. It will protect you from the requirement to withhold and will also serve as the basis for preparing 1099's at year-end. (It shows name, address and ID number).

If you request but do not receive the W-9 within 30 days, or receive an incomplete W-9, commence withholding taxes at a rate of 28%. Report these amounts annually on Form 945, and deposit taxes using a federal tax deposit coupon.

Failure to comply with these rules may result in liability for taxes not withheld plus penalties.

28. FEDERAL UNEMPLOYMENT TAXES

Employers are required to make quarterly deposits of federal unemployment taxes (FUTA) if the accumulated tax exceeds \$500.

29. GEORGIA WITHHOLDING DEPOSIT RULES

Deposits of Georgia withholding taxes must be made monthly by the 15th day of the following month, if taxes withheld amount to more than \$200 per month. The State of Georgia has withholding remittance schedules similar but not identical to those of the Internal Revenue Service (described below). The state requirements can be found at:

<http://www.etax.dor.ga.gov/inctax/withholding/hb43taxchanges.aspx>.

30. FEDERAL PAYROLL TAX DEPOSIT REQUIREMENTS

If an employer incurs an employment tax liability of \$50,000 or more for the year ended June 30 it is a "semi-weekly" depositor, and must always deposit taxes by either a Wednesday or a Friday. Taxes must be deposited on or before Wednesday if the payroll was dated on the previous Wednesday, Thursday or Friday. Taxes must be deposited on or before Friday if the payroll was dated on the previous Saturday, Sunday, Monday, or Tuesday. If an employer has less than \$50,000 in annual tax liabilities or is a new employer without any prior experience, taxes for each month must be deposited by the 15th day of the following month. If at any time within a deposit period accumulated employment taxes reach \$100,000 or more, they must be deposited on the next banking day and thereafter deposited semi-weekly. The penalties for failure to make a required deposit on time are: 2% of underpayment if 5 days or less late, 5% of underpayment if 6 to 15 days late, and 10% of underpayment if 16 or more days late. However, a penalty of 15% is imposed if the payment is not made within 10 days of the date of the first delinquency notice to the taxpayer. There is also a 10% penalty if amounts are subject to electronic deposit requirements, but are mailed directly to the IRS or mailed with the tax return.

Employers who owe less than \$2,500 per quarter are not required to make tax deposits. Instead they pay when they file their quarterly returns. If you have any questions concerning tax deposits that are not explained here, please call us.

31. CASH PAYMENTS OF \$10,000 OR MORE

One matter that we mention every year in this newsletter is that the receipt of cash, cashiers checks, bank drafts, travelers checks and money orders from a single source in the amount of \$10,000 or more, requires that a Form 8300 be filed with the IRS. Criminal penalties can apply for failure to file the form or for aiding others in attempting to circumvent the filing of the form. The rule also applies if cumulative amounts exceed \$10,000 in "related transactions."

32. CREDIT CARD CHARGES

If you operate a business, charges to credit cards before year-end can be deducted in the year charged, even if you don't pay the bill until a later year. This applies to general-use charge cards (Visa, MasterCard, American Express, etc.), not store cards.

33. PERSONAL PROPERTY TAX RETURNS

Each Georgia county and many out of state counties requires the filing of an annual Business Personal Property Tax Return in order to calculate property taxes due on business assets including inventory. No tax is due with the filing of the return; each county bills businesses during the summer based on its respective millage rate and the amounts shown on the returns as filed. The filing dates for the returns vary. Gwinnett returns, for example, are due March 1st each year while Cobb and Fulton are due April 1st.

If you operate a new or existing business that owns personal property and did not file a personal property tax return in 2008, please contact us to discuss this requirement further.

If you have any questions about how these rules apply to your particular situation, please don't hesitate to call.

Note that this newsletter presents in general form information that needs to be tailored to your circumstances. We try conscientiously to convey accurate and current information, but in an environment of continuous change, such information must not be construed as rendering legal, accounting or other professional services and no liability can be assumed in connection with its use. You will need professional help to apply this information to best advantage, so please call us with any questions you have.