

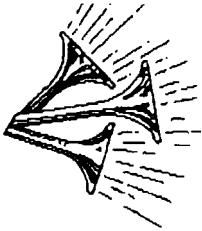


# The Update

VOLUME 19 NUMBER 1

Winter 2009

Sannerud, Savarese & Associates, P.A. – “Certified Public Accountants”  
1207 Constance Blvd. N.E. • Ham Lake, MN 55304 • (763) 434-5929 FAX (763) 434-8833 • [www.sannerudsavarese.com](http://www.sannerudsavarese.com)



## FROM SUE'S DESK

We would like to thank each of you for the opportunity to serve you. The buzz word this year has been “change” and we too are experiencing some changes.

First, we are excited to welcome two new members to our team who bring to our office new experiences, questions and suggestions so we become a stronger firm to meet your needs. And secondly, we are all learning the effects of the multiple tax bills that were passed by congress this year and wondering how our tax code will continue to change as our country goes further into debt, and a new congress takes office. We look forward to helping you see the way through these changes, and again thank you for the opportunity to serve you. Merry Christmas!

## TAX APPOINTMENTS FOR 2009!

Watch for your tax organizer to be coming in the mail this January. The organizer will have your tax appointment written on the back page. If the appointment time does not work for your schedule, please call us as soon as possible to make a new appointment. If you do not have an appointment listed or do not receive an organizer, please call our office at 763-434-5929 and we will send you an organizer and/or schedule an appointment for you.

Also, please remember to bring all supporting documents to you tax appointment! The organizer is meant to help you prepare for your appointment. The more organized you are, the less time we spend compiling and organizing for you. As you go through answering questions in the organizer, create a folder with all supporting documentation to bring with you to your tax appointment. We look forward to seeing all of you this tax season.

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## \*\* NEW Upcoming Seminars \*\*

OFFERED AT NO CHARGE TO CLIENTS AND GUESTS

### Investing For Retirement In A Volatile Market

(Ameriprise Financial Services, Ted Erhart)

**Date:** Saturday, January 10, 2009  
**Time:** 9:00-10:00 am (breakfast provided)  
**Location:** Sannerud, Savarese & Associates, P.A.  
**Contact:** Call our office (763) 434-5929 for reservations, space is limited.

### Millionaires How Do They Get There?

(Ameriprise Financial Services, Ted Erhart)

**Date:** Saturday, January 10, 2009  
**Time:** 11:30-12:30 pm (lunch provided)  
**Location:** Sannerud, Savarese & Associates, P.A.  
**Contact:** Call our office (763) 434-5929 for reservations, space is limited.

### Making Sound Investment Decisions During Volatile Markets

(FFP Wealth Management, Ron & Roger Kruse)

Good decisions come from experience and disciplined thinking. Join Ron and Roger Kruse, Principals of FFP Wealth Management for a candid, interactive class that will discuss strategies to implement, as well as strategies to avoid.

**Date:** Saturday, January 17, 2009  
**Time:** 1:00-2:00 pm  
**Location:** Sannerud, Savarese & Associates, P.A.  
**Contact:** Reservations by phone (763) 231-2760 or online at: [www.ffpwealthmanagement.com/seminars.cfm](http://www.ffpwealthmanagement.com/seminars.cfm)

### Millionaires How Do They Get There?

(Ameriprise Financial Services, Ted Erhart)

**Date:** Thursday, January 22, 2009  
**Time:** 9:00-10:00 am (breakfast provided)  
**Location:** Sannerud, Savarese & Associates, P.A.  
**Contact:** Call our office (763) 434-5929 for reservations, space is limited.

### Investing For Retirement In A Volatile Market

(Ameriprise Financial Services, Ted Erhart)

**Date:** Thursday, January 22, 2009  
**Time:** 11:30-12:30 pm (lunch provided)  
**Location:** Sannerud, Savarese & Associates, P.A.  
**Contact:** Call our office (763) 434-5929 for reservations, space is limited.

# TAX NEWS

## 2009 Mileage Rates:

Business Travel	55 cents/mile
Charitable Mileage	14 cents/mile
Medical/Moving Mileage	24 cents/mile

## Charitable Contributions

Reminder...taxpayers are required to have receipts for all contributions including incidental cash contributions and non-cash contributions from qualified charitable organizations.

**For cash contributions or for any donation of \$250 or more (including contributions of property),** taxpayers must have a statement from the charitable organization showing the name of the charity, the date of the contribution and the amount given; alternatively, a taxpayer can have a bank record of the contribution.

**For non-cash contributions,** deductions may not be taken for donations of used clothing and household items that are not in "good used condition or better." This only applies to used clothing and household items. Art, collectibles, and other non-household items are not subject to this rule. If your total deduction for all non-cash contributions is more than \$500, or if you make a contribution of non-cash property worth more than \$5,000 you will be required to file additional tax forms. Generally an appraisal must be done for non-cash property worth more than \$5,000.

If you contribute through a payroll deduction, keep a pay stub that verifies the amount withheld.

For information on charitable organizations go to American Institute of Philanthropy [www.charitywatch.org](http://www.charitywatch.org) or the Better Business Bureau Wise Giving Alliance at [www.give.org](http://www.give.org).

## Government Payroll

### Forms & Notices

Please bring in or mail us all government payroll forms and notices when you receive them. Many times we are not receiving notices of a change in the required form that should be filed (Form 941 vs. 944) until an IRS notice is received. This makes it necessary to respond to the notice which creates an unnecessary cost to your company.

## 2009 Tax Updates & Extensions:

- Alternative Minimum Tax exemptions for 2009 are \$69,950/married and \$46,200/single.
- Tax free direct payouts from IRAs to charity can be made for '08 and '09.
- Other write-offs such as deductions for state sales tax, college tuition and teachers' supplies get a two-year extension...through 2009.
- Bicycle commuters get a tax free fringe for 2009. Employers can give them up to \$20 a month for the costs of pedaling to work, the bike's cost, repairs and storage.
- Tax credits for energy efficient improvements have been reinstated but the 10% credit is not in effect until 2009. You may want to delay the installation of energy-efficient improvements until next year.
- The 15 year write off for restaurants renovations and tenant improvements has been extended through 2009. For 2009 this break is being expanded to cover new restaurants and retail stores.

## New 0% Tax Rate On Long-Term Capital Gains & Dividends

Effective for 2009 & 2010, if you are in the 10% or 15% tax bracket, profit from the sale of assets owned for over a year plus qualified dividends are tax free until they push you into the 25% bracket. The 25% tax bracket begins at \$65,100 of taxable income on joint returns and \$32,550 for single filers. Once your taxable income exceeds these thresholds, the remainder of your qualified dividends and long-term capital gains are taxed at 15%.

### Farmers May Want To Hold Off Buying Equipment Until 2009

After this year, new farm machinery and equipment can be written off over six years instead of eight. This doesn't cover grain bins, cotton gin assets or land improvements such as fences.

# TAX NEWS

## New Law... for Independent Contractors in Construction Industry (ICEC)

**State law effective Jan. 1, 2009**, requires individuals (not corporations, LLCs or partnerships) working as independent contractors in the residential and commercial construction industry to obtain an Independent Contractor Exemption Certificate (ICEC) from the Department of Labor and Industry.

An ICEC permits individuals to work as independent contractors. Certificate holders, however, may work as either independent contractors or as employees. Whether a certificate holder is working as an employee or an independent contractor will depend on the conditions of the particular work relationship.

To obtain an ICEC, individuals must complete and submit an application that establishes they meet the conditions required to operate as an independent contractor. To operate as independent contractors, individuals must be able to meet the conditions of the law's nine-factor test listed below.

*An individual, who holds an ICEC, is an independent contractor if he or she:*

1. maintains a separate business with the individual's own office, equipment, materials and other facilities;
2. holds or has applied for a federal employer identification number or has filed business or self employment income tax returns with the IRS or if the person has performed services in the previous year for which the individual is seeking the independent contractor exemption certificate;
3. operates under contracts to perform specific services for specific amounts of money and under which the individual controls the means of performing the services;
4. incurs the main expenses related to the service that the individual performs under contract;
5. is responsible for the satisfactory completion of services that the individual contracts to perform and is liable for a failure to complete the service;
6. receives compensation for service performed under a contract on a commission or per-job or competitive bid basis and not on any other basis;
7. may realize a profit or suffer a loss under contracts to perform service;
8. has continuing or recurring business liabilities or obligations;
9. the success or failure of the individual's business depends on the relationship of business receipts to expenditures.

For exemption certificate application materials and to verify an employee's status as an independent contractor, visit [www.doli.state.mn.us/ic](http://www.doli.state.mn.us/ic). The application and renewal fee (every 2 years) for the certificate is \$150. **Contractors must verify that the workers with whom they enter into agreements as independent contractors have a current exemption certificate. Contractors are required to retain a copy of these certificates for five years.**

Please contact us if you have any questions regarding construction workers as independent contractors or as employees.

### **Are you a taxpayer missing your refund or economic stimulus payment?**

The Internal Revenue Service is looking for taxpayers who are missing more than 279,000 economic stimulus checks totaling about \$163 million and more than 104,000 regular refund checks totaling about \$103 million that were returned by the U.S. Postal Service due to mailing address errors.

*By law, the deadline for mailing out all economic stimulus checks is December 31, 2008.* A quick and easy way to check on the status of a refund, stimulus check or to update an address is to go to [www.irs.gov](http://www.irs.gov) and click on the "Where's My Refund?" or "Where's My Stimulus Payment?" tool. The IRS will mail out the check(s) due to you upon receipt of your address change.

To avoid future problems, the IRS encourages taxpayers to choose direct deposit when they file their return. Direct deposit puts refunds directly into personal checking or savings accounts, puts an end to lost, stolen or undeliverable checks and is available for filers of both paper and electronic returns.

# BUSINESS TIPS & MONEY MATTERS

## Does Your Company Prepare Payroll For Your Employees?

When you hire a new employee, are you reporting this new hire to the State of Minnesota? State law requires that all new employees be reported within ten (10) days. The information you must report is: Employer Information - the company name, current address and Federal ID number. Employee Information - the name, current address, Social Security number of the new employee, and hire date.

We have a reporting form available at our office. This form can be mailed or faxed to the State of Minnesota.

*If you are looking to outsource your payroll, the first of the year is the best time to do it! Please contact us, we would be happy to assist you!*

## Personal Use Of Your SUV

Watch out for excess personal use of your SUV in the first five years. The IRS can recapture your tax break. If business use falls below 50% within that five-year period, starting with the year the vehicle is put in use, any write-offs claimed in excess of straight-line depreciation are taxed as income. The recapture provision applies both to special expensing for heavy SUVs and to bonus depreciation allowed in 2008.

## Business Trips Deductions

With airlines reinstating the Saturday night stay-over rule for cheaper fares remember... that an extra day tacked on to a business trip can be deductible if the total cost of the trip is lower as a result. This applies even if the additional day is used for sightseeing, shopping etc. The extra meal and lodging expenses for the non-business day must be less than the cost of flying without a Saturday stay. Reimbursement of the extra day's food and lodging is also tax free to employees.

## *Tax Benefits for Businesses Who Have Employees with Disabilities*

Businesses accommodating people with disabilities may qualify for some of the following tax credits and deductions.

### Disabled Access Credit

The Disabled Access Credit provides a non-refundable credit for small businesses that incur expenditures for the purpose of providing access to persons with disabilities. An eligible small business is one that earned \$1 million or less or had no more than 30 full time employees in the previous year; they may take the credit each and every year they incur access expenditures.

### Barrier Removal Tax Deduction

The Architectural Barrier Removal Tax Deduction encourages businesses of any size to remove architectural and transportation barriers to the mobility of persons with disabilities and the elderly. Businesses may claim a deduction of up to \$15,000 a year for qualified expenses or items that normally must be capitalized. Businesses claim the deduction by listing it as a separate expense on their income tax return. Also, businesses may use the Disabled Tax Credit and the architectural/transportation tax deduction together in the same tax year, if the expenses meet the requirements of both sections.

### Work Opportunity Credit

The Work Opportunity Credit provides eligible employers with a tax credit up to 40 percent of the first \$6,000 of first year wages of a new employee if the employee is part of a "targeted group." An employee with a disability is one of the targeted groups for the Work Opportunity Credit, provided the appropriate government agencies have certified the employee as disabled. The credit is available to the employer once the employee has worked for at least 120 hours or 90 days.

## ***Don't Buy Too Many Assets In Last Quarter. . .***

If more than 40% of your asset purchases for the year are made during last quarter, regular depreciation on all assets put in use in 2008 is figured on a quarterly basis. So assets that are purchased near the end of the year get 1-1/2 months of depreciation instead of six months' worth. Those bought in the first quarter get 10-1/2 months. This rule does not apply to buildings...depreciation depends on the month it was put into use.

# BUSINESS TIPS & MONEY MATTERS

## LOSS OF HOUSEHOLD INCOME

If there is a loss of household income, you may be eligible to receive unemployment benefits, which may temporarily replace a portion of the lost income. The web site for the Department of Labor has a section that lists all of the unemployment offices by state. Visit [www.dol.gov/dol/location.htm](http://www.dol.gov/dol/location.htm) for more information. This site also includes state job centers and employment outlooks for particular fields. During this time, try to keep spending under control so you can continue to pay necessary bills the next three to six months. Also, try to avoid withdrawing or borrowing money from your retirement savings.

## Taxes And Recordkeeping

Here's a reminder as to how long you should keep a few of your records:

1. **The IRS** usually has three years to audit your return, (however, they can go back 7+ years in the case of fraud). Keep all supporting information for seven years, including the tax return.
2. Investment records should be kept until you sell.
3. Real estate records including cost improvements and cost of selling should be kept until seven years after you sell.
4. Bank statements should be kept for 3 years.
5. Checks for important payments i.e. taxes, purchases of property, special contracts etc. should be kept permanently.
6. Purchase receipts for business equipment i.e. farm equipment, tools, computer etc. should be kept as long as you own the equipment.

## Family or Employee?

One of the advantages of operating your own sole proprietorship business is hiring family members. However, the employment tax requirement for family employees may vary from those that apply to other employees. Here are some issues to consider when operating a family business.

*How can spouses earn Social Security benefits?*

As an employee – A spouse can earn Social Security benefits in one of two ways. He or she could be an employee if an employer/employee relationship exists (an employee is under the direction and control of the employer). If such a relationship exists, then the spouse, as an employee, is subject to income tax and FICA (Social Security and Medicare) withholding. There is no liability for FUTA tax or Minnesota UC tax.

As a business partner – If the spouse has an equal say in the affairs of the business, provides substantially equal services to the business, and contributes capital to the business, then a partnership exists (even if there is no formal partnership agreement) and the business's income should be reported on either Form 1065 or two Schedule Cs, one for each spouse with their respective income and expenses.



### Information Resources Made EASY...

Although there are numerous government agency web sites, [www.firstgov.gov](http://www.firstgov.gov) is a "single entry point" to all federal government material that is available online. You do not even have to know what agency is responsible for what you need. When you click on a particular subject, it even bypasses the home page of the government agency, taking you almost directly to the information you need. There are many website links from taxes, Social Security, student loans, to court opinions, patent applications and renewing passports

# HEALTH & HOME

## Why Electric Bills Go Up In The Winter

Even if you don't use electric heat, you may wonder why your electric bills are higher during the cold winter months. Below are a few factors that can contribute to those higher bills:

- ✓ Warm baths feel great on cold days, but extra water heating will increase your electric bill. Consider converting your electric water heater to a more efficient off-peak or storage water heater.
- ✓ Winter brings holidays, which often means additional cooking and baking, and of course, all those bright holiday lights. (LED lights use a 10th of the energy of old mini-lights)
- ✓ Shorter days and longer nights mean lights stay on longer both inside and out.
- ✓ Most heating systems use electricity for some functions, such as operating the fan, and many run almost continuously when it's very cold.
- ✓ The use of space heaters in garages, basements or other unheated areas can be costly.
- ✓ Electric blankets and heating pads feel cozy on cold nights, but will add to your electric bill.
- ✓ Engine block heaters on your cars or equipment, or heating wraps on exposed plumbing increase the amount of energy you use.
- ✓ Most families use the clothes dryer more often in the winter.

## Simple Tips To Slimmer Waists

**Eat breakfast.** Regular meals and low calorie snacks help prevent the famine-then-feast syndrome. Fuel up with high-fiber cereal, whole grain bread and fruit.

**Serve yourself half the amount you usually eat.** You can make less food look like more if you use a smaller plate.

**Post your "to do" list on the refrigerator.** The distraction may help you ride out crave attacks.

**Bite into a pickle or lemon.** They have no calories and the sour taste may curb your appetite.

**Take time to enjoy your food.** It takes about 20 minutes for your brain to receive the signal that you're full.

## Travel Safety

If you are planning vacation or business travel abroad, the U.S. State Department at [www.travel.state.gov](http://www.travel.state.gov) has advisories on potential "trouble spots."

## HEADACHE TRIGGERS

1. **Stress:** Frayed nerves are a frequent cause of "tension" headaches and may trigger migraines. Tip: Try to take 30 minutes a day to relax, day-dream, meditate or exercise.
2. **Eyestrain:** Focusing on one object for a long time can cause temporary head pain. Tip: Take occasional "eye breaks" by looking out a window.
3. **Diet:** Certain foods/drinks can trigger headaches such as caffeine, red wine, processed meats, chocolate, cheese, citrus fruits, lentils, snow peas and monosodium glutamate (MSG).
4. **Sitting:** Sitting for long periods on the phone or hunched over can tighten muscles and lead to tension headaches. Tip: Shift positions, stretch once an hour, stand while on the phone or take a walk.
5. **Sleep:** Too little or even too much sleep can bring on headaches. Tip: Control your body's internal clock by getting up and going to bed at the same time each day.

## Thinking About Retirement?

Not sure whether you're ready for retirement? Have you saved enough for retirement? A great resource to answer your questions regarding retirement, benefits and much, much more is available to you at [www.socialsecurity.gov](http://www.socialsecurity.gov).

Online you can apply for Social Security retirement benefits, plan ahead with the online Retirement Estimator (gives you a quick and accurate estimate for your retirement benefits based on different scenarios) and apply for disability benefits. You can also apply for help to pay the costs of the Medicare prescription drug program.

# ODDS & ENDS

## Curious About Your Name?

Go to [www.miracleofnames.com](http://www.miracleofnames.com) to find out the study on one's character, purpose and ultimate destiny.

## WHAT'S COOKING?

### Yummy Carmel Corn

Prep: 15 mins

Cook: 1 hr

Ready In: 1 hr & 15 mins

Servings: 28

#### Ingredients

- 7 quarts plain popped popcorn
- 2 cups dry roasted peanuts (optional)
- 2 cups brown sugar
- 1/2 cup light corn syrup
- 1 tsp. salt
- 1 cup margarine
- 1/2 tsp. baking soda
- 1 tsp. vanilla extract

Place the popped popcorn into two shallow greased baking pans. You may use roasting pans, jelly roll pans or disposable roasting pans. Add the peanuts to the popped corn if using. Set aside.

Preheat the oven to 250 degrees F (120 degrees C). Combine the brown sugar, corn syrup, margarine and salt in a saucepan. Bring to a boil over medium heat, stirring enough to blend. Once the mixture begins to boil, boil for 5 minutes while stirring constantly.

Remove from heat, and stir in the baking soda and vanilla. The mixture will be light and foamy. Immediately pour over the popcorn in the pans, and stir to coat. Don't worry too much at this point about getting all of the corn coated.

Bake for 1 hour, removing the pans, and giving them each a good stir every 15 minutes. Line the counter top with waxed paper. Dump the popcorn out onto the waxed paper and separate the pieces. Allow to cool completely, then store in airtight containers or resealable bags.



**From all of us at  
Sannerud, Savarese  
& Associates, P.A....  
We Wish You A  
Safe And  
Very Happy  
Holiday Season!**

## Complete Payroll Services

### Sannerud, Savarese & Associates, PA.'s full payroll service includes:

- Payroll Processing
- Direct deposit available
- Electronic deposit of all payroll taxes
- Preparation of all payroll reports & filing electronically as required
- Preparation of yearend payroll reports and required forms including Form 940, W-2's, W-3, 1099's and 1096
- Providing copies for corporate files
- Reporting new hires to the state

### Sannerud, Savarese & Associates, PA. can take the worry out of payroll for you by:

Applying for payroll related identification numbers  
(Federal, State, and State UC)  
Providing you with W-4s and I-9s.

Accurate – Cost Effective – Timely

***“Let us help you use your time  
to do what you do best!”***

### Office Hours

Monday – Friday 8:00 AM to 4:30 PM  
or by appointment (763) 434-5929

### Tax Season Office Hours

(January 26 – April 15, 2009)

Monday, Tuesday, Thursday	8:00 AM to 8:00 PM
Wednesday & Friday	8:00 AM to 4:30 PM
Saturday	8:00 AM to 12:00 Noon

**E-Mail: [staff@sannerudsavarese.com](mailto:staff@sannerudsavarese.com)**

**Web Site: <http://www.sannerudsavarese.com>**

Do you ever wonder how your financial planning will affect your tax status? We're here to help! If you are working with your financial planner and making changes, give us a call, to see how the changes may effect your tax situation. We would be happy to assist you.

Please call us (763) 434-5929 with any questions or concerns you may have.

# STAFF NEWS & EDUCATION

## Introducing...

The staff at Sannerud, Savarese & Associates, P.A. welcomed Dawn Smith in early November and Jamie Akerson-Anderson in December as new Senior Accountants.

Dawn has 18 years of experience working with small businesses. She is a graduate of Buena Vista University, Iowa. She worked as a CPA at Schutta, Nelson & Zembal and has been a full charge accountant of a family owned manufacturing corporation. Dawn lives in Andover with her 3 children Samantha (12), Bart (11) and Brett (6). In her spare time, she enjoys bowling, gardening and spending time with her family.

Jamie has a Bachelor of Science in Marketing and Accounting from St. Cloud State University. She has passed three parts of her CPA test and is anxiously waiting for the results on the last section. She has over 20 years of experience in individual and small business tax returns and previously worked for a CPA firm in Plymouth. She lives in Princeton and is married to Jay. They have one son, Josh (24) who is graduating this month (also with a degree in accounting). Jamie's interests include volunteer work (church and community), playing golf (or trying to), riding her Harley and racing.

We are excited to have Dawn & Jamie join our staff at Sannerud, Savarese & Associates, P.A.

## Upcoming Community Education Classes

**Class:** Small Business Recordkeeping  
(Taught by Sue Savarese, CPA)  
**Date:** January 20, 2009  
**Location:** Staff Development Center, Anoka, MN.  
**Contact:** For more information about the class or to register, call (763) 506-5766.

## The staff has attended the following classes:

Sue Savarese: MAPA Ethics, Income Tax Short Course  
(University of Minnesota)  
Ruth Hunter: MAPA Gear Up 1040 Seminar,  
IRS Correcting Employment Taxes  
Paulette Hynes: NATP 2008 Essential 1040 & Beyond  
the 1040, IRS Correcting Employment Taxes

### \* Staff \*

A.M. Sannerud, Founder . . . Certified Public Accountant (Inactive)  
Susan E. Savarese, Managing Partner . . . Certified Public Accountant  
Dawn Smith . . . . . Senior Accountant  
Jamie Akerson-Anderson . . . . . Senior Accountant  
Pauline Mittelstaedt . . . . . Firm Administrator  
Paulette Hynes . . . . . Enrolled Agent  
Ruth Hunter . . . . . Staff Accountant  
Jody Newlander . . . . . Accounting Clerk  
Tracy Slepica . . . . . Receptionist, "Update" Editor  
Betty Sannerud . . . . . Custodial Services  
Mary Lou Michels . . . . . Custodial Services

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Sannerud, Savarese & Associates, P.A.  
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The Update is published for our clients and friends. It is designed to provide accurate information with respect to the subject covered. Before any action is taken based upon this information, it is essential that competent, individual, professional advice be obtained.