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American Institute of Professional Bookkeepers announces 10 changes that can save you time and money (and grief with the IRS) — *if you know about them*

Rockville, MD, Jan. 14, 05 — Ignorance of the law is not an excuse—especially for the IRS, according to the American Institute of Professional Bookkeepers, the 30,000-member association and certifying body for bookkeepers (www.aipb.org). Miss these changes in 2004 laws and regulations, and they can cost your business plenty:

1. To deduct cell phone usage, at least 50% of cell calls must be for business — and your records must substantiate business v. personal use.
3. IRS ends the “mailbox rule,” which states that timely deposit of a return or payment with the U.S. Postal Service is treated as timely delivery to the IRS. The new rule: Other than direct proof of delivery, a certified or registered mail receipt is the only way to claim that a tax document was delivered to the IRS or Tax Court on time.
4. Now you can use “industry practice” as proof that workers are independent contractors (not employees). In a key 2004 court case, a local cable tv firm proved that paying installers as ICs was industry practice.
5. If your firm leases a car worth over \$17,500, include employee personal use in gross income using IRS inclusion amount tables. Alternative: Apply the cents-per-mile method to employee personal use (not permitted for vehicles placed in service in 2004 or 2005 that have a value of \$14,800 or more).
6. Self-insured medical and/or flexible-spending plans (MSAs or FSAs) can now use debit or credit cards to reimburse medical expenses without creating taxable income for the company or employees.
7. The IRS is hunting for compensation disguised as tax-free fringe benefits—especially spousal travel, tax preparation, and use of computers and company aircraft.
8. Some employee gifts are now taxable income. An employee gift certificate for, say, a turkey at a specified local store is now taxable wages.
9. First-year Sec. 179 deductions for SUVs and other vehicles under 14,000 pounds are now limited to \$25,000. Before, they could be completely written off.
10. New state laws protecting employee Social Security Numbers (SSNs) are sweeping the country. To avoid employee lawsuits against you for identity theft, base company policy on the Oklahoma law.
11. If your company has an incentive stock option or employee stock option plan, don't apply FICA or FUTA taxes to transfers of stock when options are exercised, and you do not have to withhold federal income tax.