

This Month:

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Minimum Wage Reminder

The federal minimum wage increased to \$6.55 an hour on July 24, 2008. But be aware that the minimum wage in the states you do business in may be higher. The U.S. Department of Labor has an interactive site that lists the minimum wage, planned increases and the hours threshold for premium pay for all the states at www.dol.gov/esa/minwage/america.htm.

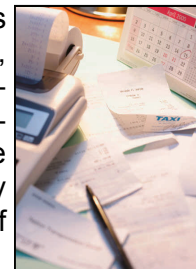
Mileage Rate Increased

The IRS has announced recently that the standard mileage rate for business and medical and moving purposes will increase by 8 cents per mile for the second half of 2008. Thus, the rate for business purposes increased from 50.5 cents per mile on July 1 to 58.5 cents; for medical and moving purposes the rate increased from 19 cents per mile to 27 cents. Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

Importance of Accountable Plans

If you often reimburse employees for job-related expenses they incur, accountable plans can offer significant benefits. Accountable plan reimbursements are not taxable to the employee and are fully deductible by the employer, with the exception of meal and entertainment expenses.



In one particular Field Service Advice (FSA), the IRS addressed the reimbursement of expenses of couriers. The couriers picked up and delivered packages in a certain geographic area. The employees used their own vehicles and the company reimbursed them for such use and paid them for their mileage expenses. However, the expense reimbursements were not based on the employees' actual expenses but rather a percentage of their commissions were to be allocated to wages and a percentage to equipment rental (i.e., use of the employees' vehicles). The employees were not required to submit mileage or expense documentation to the employer. The employees' wages were reported on their W-2s and the expense reimbursements were reported on Form 1099s.

The IRS found that since the employees did not report their actual expenses to the employer, the reimbursements were not part of an "accountable plan," so the full amount reported on the 1099 was subject to employment taxes.

While this FSA involved a delivery service, the rules apply to all businesses. Although some exceptions exist, it's best to either include the full amount in wages, or require employees to submit detailed expense reports for reimbursement under an accountable plan. Reimbursements must be for job-related expenses that the employee would reasonably expect to incur, and the employee must provide substantiation and return any excess reimbursements within a reasonable period of time.

Employer-Paid Disability Premiums

If you think that paying your employee's disability premiums is always a good thing, think again. If you provide your employees disability as a nontaxable fringe benefit, payments they receive upon their disability will be, in most cases, FULLY taxable to them!

Payments received due to disability are not taxable if:

- your employees paid the premiums on the policy with after-tax funds; OR,
- you paid the premiums but deducted the amount from their paycheck.

The cost of disability insurance - even over a good amount of time - can be far less than the tax due on the income received under the policy. Like all insurance, it all depends on whether you actually collect under the policy.

Getting the Best Deal in a Credit Card Processor

When shopping for a credit card processor, there are a number of things to look for in determining which company will truly offer the best deal. One important item to evaluate is how the processor assesses fees.

All processors will assess merchants fees for services. Some are legitimate and some are "junk fees." Junk fees are fees that you pay and for which you receive very little or nothing of value in return. Some common junk fees are:

- Batch Fees
- Programming Fees
- Cancellation Fees

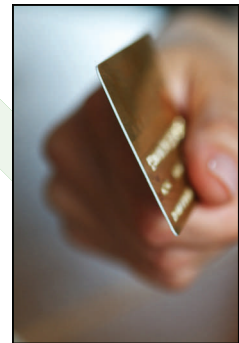
Ask each processor their policies on these fees and if they do charge them, how much they charge. The same is true for legitimate fees such as:

- Application Fees
- Statement Fees
- Minimum Fees

Confirm that minimum fees are in fact, just that – a minimum and not something that gets added onto your total fees.

Some merchants, as members of professional bodies or trade associations, may be benefiting from a low rate. Unfortunately, they frequently have to pay fixed annual subscription fees of several hundred dollars, as well as minimum monthly fees. Too often a provider advertising a low rate will use junk fees to make up the difference.

Talk to us about how our office can help you find a credit card service with extremely competitive rates and no junk fees.



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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

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