

IN THE BLACK

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BRUCE A. RUKKILA, CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS

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*If you would like this newsletter sent to you electronically, please forward your e-mail address to:
help@brucerukkila.com*

If you have questions, comments, or suggestions for us, visit our web site at www.brucerukkila.com, send us an email at help@brucerukkila.com, or give us a call at (906) 482-6601.

Bruce Rukkila, President, CPA, MA, CVA

Filing Extensions Changing for Some Business Taxpayers

The Internal Revenue Service (IRS) announced a change in the extended due date on certain business returns to help individuals better meet their filing obligations. The change, which reduces the extension period from six to five months, eases the burden on taxpayers who must report information from Schedules K-1 and similar documents on their individual tax returns.

Income, deductions and credits from partnerships, S corporations, trust & estates are reported to partners, investors and beneficiaries on Schedules K-1 and other similar statements. The recipients then use that information to complete their own tax returns.

Currently, the extended due date for both businesses and individuals often falls on the same date, generally Oct 15. This creates a burden for individual taxpayers who rely on the information from Schedule K-1 and other similar statements to prepare and file their personal tax returns in a timely manner.

This change will be effective for extension requests with respect to tax returns due on or after January 1, 2009, and applies to business entities that file the following returns and forms that have a tax year ending on or after September 30, 2008:

1. Form 1065, U.S. Return of Partnership Income
2. Form 1041, U.S. Income Tax Return for Estates & Trusts
3. Form 8804, Annual Return for Partnership Withholding Tax (Section 1446)

The regulation does not change the process for requesting an extension of time to file, nor does it affect extensions of time to file other types of business returns, such as those used by S corporations.

For more information please go to www.irs.gov

Please visit our website at: www.brucerukkila.com

Tea & Taxes

Lucinda Enderby, CPA
Trust & Estate Tax Manager
Bruce A. Rukkila, CPA, PC

Invites you to an informal, interactive discussion of current issues in Gifting—Charitable & Individual taxation

Winter Discussion Topic

Dates: December 16
Topic: Gifting—Charitable & Individual

Time & Place

3:00 p.m.
Four Season's Tea Room
606 Shelden Avenue, Houghton, MI
R.S.V.P Wendy at (906) 482 - 6601 ext. 0

Planning for Year-End Payroll Reporting

It is time again to start planning for year-end payroll reporting. We have prepared the following hints to get you on your way:

January 31, 2009 is the deadline for W2s to employees, and 1099s to recipients.

W2s - Be sure to have current address information and Social Security numbers for all employees. This is especially important for those employees no longer working for you, and will be necessary for mailing their W2s.

1099s - It is also important to make sure that you have current addresses and Social Security numbers or Federal ID numbers for anyone who requires a 1099-MISC Form. This form is issued to individuals and certain entities to whom you have paid \$600 or more for rent, services, or other miscellaneous payments. The information is also important to have for other types of 1099s that must be filed as well. Your individual situation will determine if any, and which type, of 1099 is necessary. If you are unsure of whether you should be issuing 1099s, give our office a call. We are happy to go over the requirements in more detail with you.

In addition, remember that if you have an employee that has changed his or her exemption status during 2008, he or she must fill out a new W-4 for 2009.

Social Security and Medicare Taxes

The maximum amount of wages subject to the social security tax for 2008 is \$102,000. There is no limit on the amount of wages subject to the Medicare tax.

For more information please go to www.irs.gov

IRS Announces 2009 Standard Mileage Rates

The IRS issued the 2009 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2009, the standard mileage rates for the use of a car (vans, pickups, or panel trucks) will be:

- 55 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

For more information please go to www.irs.gov

Food Bank—Tax Credit

Governor Jennifer Granholm signed legislation that offers a Michigan income tax credit to individuals who make in-kind food donations to food banks, food pantries and homeless shelters as part of a matching program with a participating food retailer.

Beginning with the 2008 tax year (returns filed in 2009), a taxpayer may claim a credit against their Michigan income tax obligation equal to 50 percent of the sum of the cash amount and of the value of food items contributed. The total amount of the credit, for both in-kind and cash donations, is limited to \$100 per individual and \$200 for a husband and wife filing jointly.

For more information please go to www.michcpa.org

MICHIGAN BUSINESS TAX (MBT)

The Michigan Business Tax (MBT) was created by enactment of the “Michigan Business Tax Act” (MBTA), Public Act 36 of 2007, signed into law on July 12, 2007. The date of enactment is January 1, 2008 and the MBT applies to all Michigan business activity occurring after December 31, 2007. [2007 P.A. 36 Enacting section 1]

The MBT is a combination of four different taxes: a business income tax, a modified gross receipts tax, a gross premiums tax on insurance companies and a net worth tax on financial institutions. Insurance companies and financial institutions will pay these special taxes in lieu of the business income tax and the modified gross receipts tax.

The small business credit provisions [MCL 208.36] from the Single Business Tax (SBT) have been retained in the MBT and greatly expanded. Taxpayers who qualify for the small business credit will simply pay an alternate tax equal to 1.8% of adjusted business income and they may file a short form tax return.

The MBT also includes over thirty credits that reward Michigan business activity. The compensation credit, investment tax credit, research and development credit, technology innovation credit and the entrepreneurial credit are available only when the taxpayer is engaged in a business activity in Michigan. Many of the credits in the MBT were brought over from the SBT.

The nexus, apportionment and unitary filing provisions are designed to extend the reach of the tax beyond Michigan’s borders. The physical presence nexus standard of the SBT has been extended to include an economic nexus standard. The MBT will be apportioned by a single factor, sales only, apportionment formula. Sales will be sourced to Michigan on a destination basis: tangible personal property where title to the property transfers to the purchaser, and services where the benefit is received by the purchaser.

Probably the biggest change in the MBT from the SBT is the statutory enactment of the unitary concept. Under the single return filing methodology of the SBT, multistate companies could avoid the SBT or pay just a small tax by utilizing planning techniques. The MBT’s unitary business group concept will render these planning techniques useless and thereby expand the reach of the MBT to multistate and multinational companies that exploit the Michigan market and have sales into the State of Michigan.

The MBT is a unique form of taxation imposed on Michigan business activity unlike any other in this country or elsewhere. It combines a multilayered taxation system with a series of deductions and credits “to improve the economic condition of this state, foster continued and diverse economic growth in this state, and enable this state to compete fairly and effectively in the world marketplace for economic development opportunities that will provide for and protect the health, safety, and welfare of the citizens of this state, now and in the future.” [2007 P.A. 36, 101 (2) MCL 208.1101(2)]

If you have any questions, please call us at (906) 482-6601.

For more information please go to: www.ehtc.com/ehtc/salt.htm

The Gifts That Give Back in Return

If you itemize your deductions, consider donating money or property to charity before the end of the current tax year in order to increase the amount you can deduct on your taxes. As an aside, now is also a good time to consider making noncharitable gifts. You may give up to \$12,000 (\$24,000 for a married couple) to as many individuals as you want without incurring any gift tax consequences. If you gift an appreciated asset, you will not have to pay tax on the gain; any tax is deferred until the recipient of your gift disposes of the property.

For more information please go to: www.360financialliteracy.org

Please visit our website at: www.brucerukkila.com

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IN THE BLACK

Who We Are and How to Reach Us...

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TEMP-RETURN SERVICE REQUESTED