

APRIL TAX SHORTS

APRIL 2006

The IRS released the new depreciation limits for vehicles used 100% for business. For 2006 it is \$2,960, \$4,800 in 2007, \$2850 in 2008, and \$1,775 in the following years. Under the current depreciation limits it would take approximately 20 years to fully depreciate an automobile with a cost basis of \$40,000. A strategy that works better than buying is leasing. The lease for a \$40,000 automobile runs between five and six thousand a year a year and is fully deductible.

The due date for filing Form 941 Employer Quarterly Federal tax Return for the first quarter 2006 to report income tax withholding and Social Security and Medicare taxes is May 1. If these taxes were paid in full and on time the return can be filed as late as May 10. Small businesses who qualify for annual reporting no longer have to file form 941. If you don't know whether or not you qualify, contact us, or check www.irs.gov and check for release IR-2006-2, 1/3/06. May 15 is the date for partnerships and S corporations that made Section 444 election to use a fiscal year must make any required payment and file form 8752.

The amount of assets that an individual can leave in an estate free of estate tax increases to \$2 million from \$1.5 million in 2006. For estates of \$2 million or greater, this saves \$225,000 in tax due to the 45% estate tax bracket. The estate tax also drops to 46% from 47% for estates with assets of more than \$2 million. The annual gift tax exclusion will increase from \$11,000 to \$12,000. This exclusion allows for individuals to make gifts of up to \$12,000 to as many recipients as one wants to annually with no tax consequences. Married couples can make joint gifts of \$24,000.

The latest study by the Tax Foundation ranks states by the burden that their tax laws and systems burden their constituents businesses. The study entitled "*State Business Tax Climate Index*" takes into account not just the size of the tax levied, but the complexity in complying with the laws, number of different taxes, and the volume of loopholes that prefer some types of firms over another. The Best States named were: Wyoming, South Dakota, Alaska, Florida, Nevada, New Hampshire, Texas, Delaware, Montana, and Oregon. The Worst States named were: New York, New Jersey, Rhode Island, Ohio, Vermont, Maine, Kentucky, Nebraska, Iowa, and Arkansas.

Employers can verify employees Social Security numbers online at www.ssa.gov/employer/ssnv.htm. Employers can submit up to 10 names and Social security numbers at a time for instant verification. Checking for Social Security numbers will keep you out of trouble considering the current climate and is a good practice.