DEAN, DORTON & FORD
CPAs | Consultants | Financial Advisors
NEWSLETTER WINTER 2007

INSIDE

Announcing Opening of Our Louisville Office

We are pleased to have opened our first office outside Lexington. Our new Louisville office, located at 2501 Nelson Miller Parkway, provides a better location from which to serve the growing numbers of clients we work with in the Louisville and Western Kentucky areas.

Joining over 100 client service professionals and administrative staff based in Lexington, our Louisville office currently employs five client service professionals. We are extremely pleased that these experienced professionals have embraced the opportunities our firm affords them. We worked very hard to find professionals that fit our client service culture and have skills and experience that will enhance our ability to deliver exceptional client service.

Please see the People News section of our newsletter for information about Phil Amshoff, Mike Harbold, Donna Olliges, and Karen Stoess, all of whom are based in Louisville. They join Dan Schoenbaechler, who started with DDF earlier.

Any of these professionals can be reached by calling our Louisville office at 502-244-7714.

Year-End Tax Planning Tips

With 2007 soon ending, you may want to consider some of these year-end tax savings opportunities:

Capital Losses. Consider taking investment losses to offset capital gains, especially short-term gains (otherwise taxable at the top rates on ordinary income), recognized this year. You can take losses to offset all of your gains, and up to $3,000 of additional losses can be deducted against ordinary income. Net capital losses exceeding $3,000 can be carried forward. Remember that you must not "replace" the stock you sold at a loss for at least 31 days before or after the sale in order to avoid the "wash sale" rules.

First Year Depreciation. The cost of most business equipment and furniture must be capitalized and depreciated over five to seven years. However, a special tax break is available to most small businesses. The Section 179 deduction permits immediate write-offs for up to $125,000 of 2007 qualifying additions. If you haven't yet made 2007 equipment or furniture purchases up to this amount, consider accelerating next year's planned purchases into this year to fully utilize this provision. The equipment, which may be new or used, must be "placed in service" by year-end for the deduction to be available; its cost does not have to have been paid by year end, even by cash-basis businesses. These rules also apply to breeding or racing horses and to breeding cattle. Note that there are limits on the availability of the Section 179 deduction, the applicability of which you should ascertain before acting. Chief among these are that the deduction is only available to the extent of net business income, and the deduction is phased out dollar-for-dollar when qualifying property additions exceed $500,000 in the year.

S Corporation and Partnership Losses. If your S Corporation will generate a tax loss this year, consider whether you have enough basis in the stock (or in loans you've made to the cor-

continued on page 3

DEAN, DORTON & FORD, P.S.C.
106 West Vine Street, Suite 600 • Lexington, Kentucky 40507 • (859) 255-2341 • Fax (859) 255-0125
2501 Nelson Miller Parkway • Louisville, KY 40223 • (502) 244-7714 • Fax (502) 244-7765
www.ddfky.com

Tax Developments for 2007

FICA Base - Annual compensation to which Social Security applies increases from $97,500 for 2007 to $102,000 for 2008. The Medicare tax continues to apply to all compensation.

Social Security Benefits - Individuals who have not attained full retirement age will begin to lose Social Security benefits if they have earned income exceeding $13,560 in 2008, up from $12,960 in 2007.

Adjustments for Retirement Accounts - The maximum annual addition to a defined contribution plan increases from $45,000 to $46,000 for 2008. The maximum amounts that individuals can elect to contribute to employer-sponsored plans and IRAs remain the same (with one exception) for 2008 as shown below. In addition, individuals who are age 50 or older by the end of the tax year may invest "catch-up" contributions in these accounts in the amounts shown below.

YEAR	IRAs		SIMPLE Plans		Other Employer Plans	
	Annual Contribution	Catch-Up Contribution	Elective Deferral	Catch-Up Contribution	Elective Deferral	Catch-Up Contribution
2008	$5,000	$1,000	$10,500	$2,500	$15,500	$5,000
2007	$4,000	$1,000	$10,500	$2,500	$15,500	$5,000

The maximum amount of compensation that can be considered as the base for retirement plan contributions increases from $225,000 in 2007 to $230,000 in 2008.

Nanny Tax Threshold - Payments to a household employee will not be subject to reporting or FICA taxes if less than $1,600 for 2008, up from $1,500 for 2007.

Estate and Gift Tax Credits and Exclusions - The amount of taxable transfers above which federal estate taxes will be payable remains $2,000,000 for 2008, and the amount of taxable gifts above which gift taxes will be payable remains $1,000,000 for 2008. The generation-skipping exemption also remains $2,000,000 for 2008. The annual exclusion for gifts per donee remains $12,000 for 2008.

Standard Automobile Mileage Rates - The standard rates per mile for deducting automobile expenses are adjusted as follows:

	2007	2008
Business	$.485	$.505
Charity work	.14	.14
Medical	.20	.19

Payroll and Excise Tax Reporting by Disregarded Entities

Single-member limited liability companies (SMLLCs) and qualified subchapter S subsidiaries may be treated as disregarded entities for federal income tax purposes. When they are, they do not file income tax returns themselves, but their income and deductions are reported on their owners' income tax returns. The IRS has issued final regulations describing how payroll and excise reporting should be done by these entities.

The regulations provide that the entity, not its owner, must comply with payroll reporting as if it is a corporation. The individual owner of a SMLLC, though, is not treated as an employee for employment tax purposes, but is treated as being self-employed.

The final regulations provide a similar rule - reporting by the entity, not its owner - for federal excise taxes.

The regulations are effective January 1, 2009 for employment tax reporting and January 1, 2008 for excise tax reporting.

• Doug Dean
ddean@ddfky.com

Year-End Tax Planning Tips

continued from page 1

poration) to take the full loss. If you don't, additional investments should be considered. Similar considerations can arise in some situations with partnerships expecting tax losses.

Self-Employed Retirement Plans. If you have self-employment income and don't have a retirement plan in place to shelter any of it, you may qualify to use a Self-Employed Retirement Plan. Even though the plan does not need to be funded until the due date for filing your income tax return, the plan must be established by year-end in order to deduct contributions for 2007.

Prepay State and Local Income Taxes. If you expect to owe additional state and local income taxes for 2007 and you're on the cash basis, paying these projected taxes by year-end can increase deductions on your 2007 federal return. However, if you are subject to alternative minimum tax (AMT) for 2007, this may not be a useful tactic and could result in your paying more combined 2007 and 2008 taxes than you would otherwise. You may want to consult with us about the likelihood of your being in AMT.

Roth IRA Conversions. Consider converting your regular IRA into a permanently tax-free Roth IRA. This is available only if your income is $100,000 or less. The conversion is treated as a taxable distribution of your regular IRA.

Charitable Contributions. Consider "prepaying" contributions you would have made next year. Always consider funding charitable gifts with appreciated marketable securities, resulting in gains being untaxed. You may also charge charitable contributions on your credit card; contributions posted to your account before year-end are deductible this year, even if you do not pay the charges until next year.

Annual Gifting. You may give your children and others up to $12,000 each in 2007 without gift tax consequences. This annual exclusion is a per person amount, and there is no carryover of any unused exclusion. Consider making year-end gifts to fully utilize the annual exclusion. Gifts by check should be given in time for the check to clear the donor's account by year end.

Reminders - W-2 and 1099 Filings for 2007

As the time for reporting certain 2007 payments approaches, we'll review with you some of the filing requirements for 2007 W-2 and 1099 forms.

The 1099 forms most commonly required are:

FORM	Type(s) of Payment
1099-DIV	Dividends
1099-INT	Interest
1099-MISC	Services, Rents, Royalties
1099-R	Distributions from Retirement Plans and IRAs

Most payments to corporations are exempt from 1099 reporting requirements. Payments to partnerships, LLCs, and LLPs are not exempt. Also, payments totaling (by payee) less than $600 during the year are exempt from 1099-MISC reporting. Payments made by cash, wire transfer, check, and credit card are all includible in 1099 reporting.

W-2 and 1099 forms are required to be filed on a calendar year basis regardless of a business's fiscal year. Forms for 2007 are required to be provided to employees/payees by January 31, 2008, with copies to the Federal government by February 28, 2008 unless filing electronically. Electronic filers have until March 31, 2008 to file their 2007 forms with the government. IRS Publication 1220, which you can find at the IRS website, www.irs.gov, is a reference for 1099 preparation and filing information.

Employers filing 250 or more W-2s are required to submit them to the Social Security Administration (SSA) on magnetic diskette or electronically. To register for electronic filing or to get more information, go to www.socialsecurity.gov/employer and click on "How to File." Pre-registration is required, and it takes 10-14 days to receive a password. Please note, however, that Kentucky has a more stringent requirement: Kentucky employers with 100 or more employees during the year are required to magnetically or electronically report wage and tax withholding information. Pre-registration is required; www.revenue.ky.gov has additional information.

Businesses required to file 250 or more of any one type of Form 1099 must file on magnetic media or electronically. Form 4419, *Application for Filing Information Returns Electronically*, must be filed at least 30 days before the due date of the forms.

Electronic filing also is available for smaller businesses. To promote use of electronic filing, the government has given electronic filers a later filing deadline for both W-2 and 1099 forms: March 31, 2008. Please note, however, that the employee's/payee's copy still needs to be distributed by January 31, 2008.

• Angela Hollearn
ahollearn@ddfky.com

People News

New People at Dean, Dorton & Ford

Phil Amshoff, a CPA who has worked in public accounting for over 30 years, has joined our firm. Phil is based in our new Louisville office. He is a Bellarmine College graduate who serves as Treasurer of the Kentucky Soccer Association and of the Newburg Middle School PTSA and is a member of the Louisville Employee Benefits Council.

The matters discussed in these articles provide general information only. You should consult with us about your specific situation before undertaking action based on such general information.

Will Atkins is another experienced CPA (18 years in public and private accounting) who has joined DDF. Will is based in Lexington. He is a University of Kentucky graduate with an Accounting degree and, while at UK, he was a member of the UK Rugby Club.

My Lee Blythe and **Susanna Yarnell** have joined DDF's Client Accounting and Payroll Services group. My Lee graduated from Eastern Kentucky University, having majored in Computer Information Systems, and she has 9 years of work experience. Susanna, a University of Kentucky graduate with degrees in Accounting and Management, has 5 years of work experience.

Camille Chenault has joined our Office Services team, involved mainly in Document Processing. Camille is a UK graduate and has 6 years of work experience.

Michael Harbold has joined our firm's tax practice. He, too, is based in Louisville. Mike is a CPA with 15 years of public accounting experience and is a University of Dayton graduate.

Lance Mann has joined us after moving from Atlanta. Lance graduated from Kennesaw State University in Georgia with an Accounting degree. He has worked in public accounting for more than 2 years and also managed a retail business for 4 years.

Donna Olliges and **Karen Stoess** have joined us in Louisville. Each is a Bellarmine College graduate, Donna with undergraduate and Masters degrees in Business Administration and Karen with an Accounting degree. Donna worked for Bellarmine for 16 years in various accounting and financial management positions, and she has worked in public accounting for 4 years. Karen has worked in public accounting for 18 years.

Todd Renner, a CPA with an Accounting degree from University of Maryland, has joined us in Lexington. Todd has 16 years of diversified accounting experience, including public accounting, education, and equipment dealership and thoroughbred farm financial management.

Lori Slagle, who has 4 years of public accounting experience, has joined us in Lexington. Lori is an Eastern Kentucky University Accounting graduate. Lori also has 8 years of experience working in the banking industry.

Professional and Community Activities and Accomplishments

Jaclyn Badeau was selected to participate in the Kentucky Society of CPAs Leadership Academy.

Melissa Coombs received an award for the Highest Score in Kentucky on the Audit portion of the CPA exam for the Third Quarter of 2007.

Jennifer Criggall served as a panel member for the Kentucky State Society for Human Resource Management Conference, speaking on the subject of Best Places to Work in Kentucky.

Doug Dean has become a member of the Executive Committee of the Board of The Triangle Foundation.

Ozlem Fritz has become a licensed CPA in Kentucky.

DDF DEAN, DORTON & FORD PSC
CPAs | Consultants | Financial Advisors
106 West Vine Street, Suite 600 • Lexington, KY 40507