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# Kruger & Clary

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

THE ADVISOR

515 S. Howes Street · Fort Collins, CO 80521 · 970-482-6947 · www.krugercpas.com

## Reapply for Social Security Benefits?

Recently, a Kruger & Clary client alerted us to a surprising provision in Social Security law that will allow a retiree to increase their monthly benefits. The provision states that a retiree can repay all of the benefits that they have received since retirement and immediately reapply for the higher benefit that is available. The retiree also claims an income tax refund for any federal taxes paid on the past Social Security income. Reapplying can also increase the spouse's benefit.

This works best for people who have taken early retirement and are expected to live several more years. The risk is that the benefits are repaid and the taxpayer dies before the sum of the higher benefits received has allowed them to recoup the amount they repaid.

One published example that was studied, uses a 66 year old retiree who is currently receiving $13,250 per year from Social Security, and retired at age 62. In the four years of retirement, the retiree has received benefits equaling $49,787. If the retiree pays back this amount **without** interest and reapplies for benefits, the new annual income from Social Security is $16,673, an increase of $3,423 per year. It will take slightly more than 14 years to recover the amount paid back, without factoring interest into the scenario. If the spouse of the retiree also receives an increased annual benefit, the time to recover the cost is reduced. Also, if the retiree's past Social Security income has been taxed, the income tax refund reduces the net amount paid and the recovery period is less.

As stated above, consideration should be given to the life expectancy of the retiree. In case of an early death, the retiree could purchase an insurance policy with a face amount of the repayment amount to replenish the estate. The premiums would be quite small, especially with a term policy.

To learn more about this, you may contact the Social Security Administration and request Form SSA-521. Kruger & Clary is also planning to offer consulting services on this topic. If you are interested, please contact Dale at dale@krugercpas.com.



Inside this issue:



## EMPLOYEE SPOTLIGHT: Meet Laurie Chronopoulos

**What drew you to accounting as a career?**
My dad is a CPA, though in college I started out pursuing medicine, a time consuming and grueling experience. Because of my familiarity with my father's career and because I'm detail oriented, I chose accounting.

**Where did you work before Kruger & Clary?**
My first job out of college was with Ernst & Whinney (now Ernst & Young), and later I worked for Marathon Oil in Houston. Then, I took some time away from the workforce to raise my four children. Prior to joining Kruger & Clary, I worked for Bell, Boge & Associates (a law firm) in Fort Collins as an accountant.

**What kind of work do you do at Kruger & Clary? Tax preparation for** corporations and partnerships, and work on accounting for businesses. I also prepare some individuals estates and trusts tax returns.

**What do you enjoy about your job?**
I work with wonderful people who are smart and willing to share their knowledge with one another, something I haven't always experienced working at larger companies. That attitude makes this a great place to work. Also, because we're a smaller firm, we really get to know our clients. It's nice to work with people who trust you as a partner.

**Where are you from?**
I'm originally from Alabama. I've lived in Colorado for 8 years.

**What do you do in your spare time?**
My family comes first. I love spending time with my four kids. I have a 19 year old (a freshman at Baylor), a 18 year old that will attend CSU this fall and 12 year old twins.

**What's the best thing about living in Colorado?**
I love the laid back environment, the friendly people and the relaxed atmosphere of Fort Collins. And of course, living close

THANK YOU for your business and your referrals. We are always taking new clients, and appreciate you telling friends, colleagues and family about our firm.

“I never feel intimidated by the people at Kruger & Clary. My questions are always addressed in a professional, helpful way.”

**Jennifer Richardson - Fanning, Farmers Insurance Group**

## Changes to S-Corporation Health Insurance Laws

Recently the IRS retracted their opinion requiring owners of S-Corporations to have their health insurance policies in the company’s name. Therefore, we are no longer recommending HRA’s to deduct your health insurance premiums.

For more than 2% shareholders, the health insurance policy can be either in the name of the S-Corporation or in the owner’s name.

Health insurance premiums for owner’s of S– Corporation must be reported on Form W-2 as wages in order to deduct the expense on your personal income tax return. Partners and more than 2% shareholders may be able to amend prior year returns to take any self employed health insurance deductions allowed under the new rules explained above. Shareholders should write "Filed Pursuant to Notice 2008-1" at the top of any amended return.

"The people at Kruger & Clary are honest and approachable. All in all, they're really on top of things and help me keep organized."

**Bryan Gossel Owner, BG Automotive**

## How to Deduct Travel Expenses

Properly planned trips that combine business with pleasure will allow you to deduct the cost—or at least a portion of the cost—of nearly everything you do. While such trips must benefit or advance your business to qualify as a tax deduction, there's no reason why a business convention cannot coincide with your vacation.

If your trip is entirely business related, you can typically deduct all of your travel expenses. If your trip was primarily for business and, while at your business destination, you extended your stay for a vacation, made a personal side trip, or had other personal activities, you can deduct only your business related travel expenses—costs of getting to and from your business destination and any other business related expenses while at your business destination.


Deductible travel expenses while away from home include the costs of:

- Travel by airplane, train, bus, or car between your home and your business destination.
- Using your car or a rental car while at your business destination.
- Fares for taxis or other types of transportation between the airport or train station and your hotel, the hotel and the work location, and from one customer to another, or from one place of business to another.
- Laundry or dry cleaning expenses while traveling.
- Tips you pay for services related to any of these expenses.
- Meals and lodging.

You are considered to be traveling away from home if your duties require you to be away from the general area of your tax home for a period substantially longer than an ordinary day's work, and you need to get sleep or rest to meet the demands of your work while away.

Instead of keeping records of your meal expenses and deducting the actual cost, you can also use a standard meal allowance. The amount varies depending on where you travel. The deduction for business meals is generally limited to 50% of the unreimbursed cost. If you combine your expenses as one “lump” expense that includes the costs of meals, entertainment and other services (such as lodging or transportation), you must separate that expense into the cost of meals and entertainment and the cost of other services.

If a spouse, dependent or other individual goes with you on a business trip or to a business convention, you generally cannot deduct his or her travel expenses. However, if they are staying in your hotel room that qualified for a business expense for you, you can deduct that lodging expense as long as you didn’t make any upgrades to accommodate this extra person. You can deduct the travel expenses of someone who goes with you if that person is your employee, has a bona fide business purpose for the travel and would otherwise be allowed to deduct the travel expenses.

If your trip was primarily for personal reasons, the entire cost of the trip is a nondeductible personal expense. However, you can deduct any expenses you have while at your destination that are directly related to your business. Remember that the key to deducting your travel as a business expense is prior planning. Make sure that you can substantiate your business purpose for the trip.

If you would like advice on what travel expenses are deductible, we would be happy to go over your questions with you.

## TAX RATES FOR LONG-TERM CAPITAL GAINS AND QUALIFIED DIVIDENDS REDUCED TO ZERO PERCENT

Do you have an asset that has appreciated in value that you are considering selling? Don't miss out on a tremendous tax planning opportunity—the chance to avoid federal taxes on long-term capital gains.

For tax years 2008, 2009 and 2010, the federal tax rate on long-term capital gains and qualified dividends is *zero percent* for taxpayers falling within the 10 and 15 percent tax brackets. So, for married filing jointly filers, 2008 taxable income must be less than $65,100, for single filers, 2008 taxable income must be less than $32,550, and for head of household filers, 2008 taxable income must be less than $43,650. For taxable income greater than these respective amounts, the tax rate remains at 15 percent.

How does it work? As an example, assume that your married filing jointly taxable income is $40,100 (after all deductions) and you have 100 shares of stock that you purchased over a year ago for $5,000 that is now worth $30,000. The profit on the stock is $25,000 profit. Your taxable income is now $65,100, but because all of your income is in the 15 percent bracket or lower, you would pay tax only on the $40,100 that was generated from other sources. The $25,000 profit is not taxable.

What if your gain pushes your income above the 15 percent brackets? Is all of it taxed at the 15 percent rate? No. Only the portion above the 15 percent brackets are subject to the higher tax rate. Assume in our previous example that the stock is worth $35,000. The gain is now $30,000, which increases taxable income to $70,100. The ordinary income of $40,100 is still tax at the ordinary rates, the next $25,000 is taxed at zero percent and the final $5,000 is taxed at the higher long-term capital gains rate of 15 percent.

This tax break may not last long. Even though the current law states that the long-term capital gains rates are in effect through 2010, Congress can change the law before then. After the next president takes office in January 2009 and new policies are passed and signed into law, the laws may change within the first few months of 2009. To take advantage of this tax savings opportunity, you may want to consider selling the asset this year, instead of waiting and risking that the law will change.

The gain may be taxable at the state level. Also, the long-term capital gains rates increase from zero percent to 10 percent and from 15 percent to 20 percent in 2011.

If you are considering selling an asset, please contact our office before acting. Tax situations vary among taxpayers and there may be other issues to consider.

## Coming Soon: Economic Stimulus Checks

In an effort to boost the economy, President Bush and Congress passed the Economic Stimulus Act of 2008. As part of the Act, every taxpayer in the United States is eligible for consideration for nontaxable money (in the hopes that we will all run out and promptly spend it, boosting the economy).

To qualify, you must have filed a 2007 tax return. Taxpayers who filed extensions are also eligible, but will not receive their money until their tax return is filed. Eligible individual filers will receive between $300 and $600, and eligible married filers will receive between $600 and $1,200. Taxpayers with dependent children under age 17 may qualify for an additional $300 per qualifying child.

Payments started going out May 2nd and will be sent out in the order of the last two digits of your social security number. If you chose to have your 2007 tax refund directly deposited, the money will also be deposited into the same account. Otherwise, you'll receive a check at the address on your 2007 return. If you changed addresses after filing your 2007 tax return, fill out a change of address card with the U.S. Postal Service.

Certain taxpayers who receive social security income, railroad retirement or V.A. benefits may also qualify for the money, even if they did not have a 2007 tax liability (but filed a 2007 tax return).

The stimulus payments phase out at higher income levels. The payment will be reduced by 5% for every dollar of adjusted gross income (AGI) that is over $75,000 for single filers and $150,000 for married filers. To estimate the amount of your payment, visit the IRS economic stimulus payment calculator at www.irs.gov/app/espc. Have your 2007 tax return available and allow yourself 5 to 10 minutes to complete the calculation.

All individuals receiving payments (including extension filers) will receive a notice and additional information shortly before stimulus payments are made. Also, the IRS is warning people to watch out for frauds or scams involving these payments. Be leery of phone calls or emails from people claiming to be the IRS. The IRS will contact you only by mail. Do not provide any personal information by email or over the phone to people claiming to be from the IRS.

**When will you receive your money?**

**Paper Checks:**

| Last two digits of SS# | Date |
|---|---|
| 00 - 09 | May 16 |
| 10 - 18 | May 23 |
| 19 - 25 | May 30 |
| 26 - 38 | June 6 |
| 39 - 51 | June 13 |
| 52 - 63 | June 20 |
| 64 - 75 | June 27 |
| 76 - 87 | July 4 |
| 88 - 99 | July 11 |

**Direct Deposit Payments** should have been sent to the taxpayer's bank account no later than May 16. For taxpayers who filed extensions, watch for a notice from the IRS before your payment is made.

## How Your High School or College Graduate Impacts your Taxes

Do you have a child that will soon graduate from high school or college? If your child takes a full time job, you may not be able to claim them as a dependent anymore. To claim the Child Tax Credit of $1,000 per child, your child must be under the age of 17 at the end of the tax year and not provide over half of his or her own support, as well as several other criteria. The Child Tax Credit is phased out at certain income levels.

If you are helping pay your child's college expenses and claiming your child as a dependent, you're most likely receiving a tax benefit such as the Lifetime Learning or Hope Tax Credit or deduct tuition. Once you stop claiming your child as a dependent on your tax return, you're no longer eligible for these education deductions or credits.

Saving for college? Don't forget that 529 plans offer a number of advantages, including:

- Tax free withdrawals for qualified higher education expenses
- Tax deferred investing
- Account owner control/Easy to change beneficiary

If you need advice or further information on any of these topics related to your high school or college age student, contact us at info@krugercpas.com.

"When it comes to tax and other planning issues, I always receive personalized service from Kruger & Clary, something I did not receive from prior firms. As a long time client, I'm very pleased."

**Don Shannon, Shannon Res Appraisals**

**PARKING:**

Please park in the driveway in front of the office, or in the garage west of our office, which is accessible from the alley. Please do not park in the CSU lot since they are monitoring those spaces and issuing tickets.

## WHAT TO DO: SUMMER EVENTS IN FORT COLLINS

Ahh, summertime in Fort Collins. The beauty of the Poudre River Canyon. The spirit and charm of Old Town. Miles of walking and biking trails and ample parks. This summer, get out and enjoy all that Fort Collins has to offer. Here are a few upcoming events:

**Sunday Concerts in the Square**
Head to Old Town Square for free live music every Sunday June through September from 3:00 to 7:00 p.m.

**First Friday Gallery Walk**
On the first Friday of every month from 6:00 to 9:00 p.m., Old Town Fort Collins art galleries stay open into the evening, offering refreshments. Visit www.fortcollinsarts.org for more information.

**Ben & Jerry's FAC Concert Series**
Enjoy live music from local musicians every Friday through August. 7:00 p.m. in Old Town Square.

**Colorado Brewers' Festival**
Sample Colorado beers at the 19th annual festival. June 28-29 in downtown Fort Collins. Visit www.downtownfortcollins.com for more information.

**Larimer County Farmers' Market**
Visit the Larimer County Courthouse parking lot (Oak & Mason) any Saturday from July 12 through October 18 for fresh produce, flowers, breads and more.

**New Belgium Brewery Bike-In Film Series**
Hop on that bike and ride to New Belgium Brewery for an outdoor film showing Thursdays at dusk (around 8:30 p.m.) from August 14 to September 18. The brewery is at 500 Linden Street.

**Bike Week**
Save on gas during Fort Collins Bike Week, June 23-29. Visit www.fcgov.com/bicycling for more information.

Melissa who serves on the board for the Canyon Concert Ballet, is currently looking for anyone interested in donating auction items or cash for the third annual **Black Tie Bowling** collaborative fundraiser, between CASA of Larimer County and Canyon Concert Ballet September 13th, 2008. (www.blacktiebowling.com)

The funds raised during the evening will be used to provide support to children and families in Northern Colorado. Your contributions to these non-profit agencies are greatly appreciated. Please contact her either by phone at 970-482-6947 or e-mail melissa@krugercpas.com if you are interested in making a donation or if you would like to come participate in the event.

## OUTSOURCE YOUR HEADACHES

### Use Kruger & Clary's Small Business Services

Let's face it: running a business takes a lot more than a passion for what you do. There are bills to pay, invoices to prepare and mail, taxes to calculate and send, and much more.

Kruger & Clary can help you stay organized and save money. By taking the burden of financial recordkeeping off your shoulders, we free you up to do what you do best: run your business.

Ask us about one of our three accounting and tax packages, customized to fit your needs.

Outsource your accounting and tax duties to us and you'll receive a number of benefits, including:

- No huge, unexpected tax bill.
- Better protection from an audit.
- Cost of tax preparation spread evenly across the year.
- Easy setup and maintenance of your accounting system.
- Access to a trusted and knowledgeable advisor who will help you increase your bottom line and be more successful.

Want to know more? Call Dale Kruger or Melissa Clary at 970.482.6947 to discuss our three packages.