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PayDay

Business owners can save substantial taxes by paying wages to family members who provide services to the business. Consider paying wages yet this year to the following family members:

√ Wages paid to your spouse can be used by them to fund their 401K or SIMPLE - IRA plan on a pre-tax basis. If the spouse does not earn wages, they can not contribute to the business retirement plan;

√ Expenses for business-related travel of a spouse or other dependent are not tax deductible unless the spouse or other dependent are employees ("on the payroll") of the family business;

√ A child can earn up to $5,450 in wage income during 2008 and pay zero Federal income tax. The business owner claims a deduction and saves income taxes at their tax rate; and

√ You can also pay wages to parents who work in your business, with the income taxed at your parent's rate and the wage payments creating tax deductions at your marginal tax rate.

IMPORTANT - Any wage payments paid to family members must be at fair rates for

services performed. You should maintain records which support how you calculated the wage amounts.

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.

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