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[Home](#)
[About Us](#)
[Products & Services](#)
[Testimonials](#)
[Business Partners](#)
[QuickBooks](#)
[Featured Client](#)
[Forms & Downloads](#)
[Career](#)
[Opportunities](#)
[Our Newsletters](#)
[Contact Us](#)

Your New Year's resolutions for 2009 could include any of the following compensation/fringe benefit decisions:

- Make a list of fringe benefits and expense reimbursements you pay to or on behalf of your employees. Consider using written Section 125 cafeteria and accountable expense reimbursement plans to save taxes for both the employee and employer;
- If you currently operate as a sole proprietorship or general partnership, give serious consideration to forming a "limited liability company" or a corporation for both asset protection and tax planning purposes;
- If you are an "S" corporation or a "LLC" which has elected "S" corporation tax status, carefully evaluate and establish "reasonable compensation" amounts for 2009 for the employee-owners of your Company. Establishing "reasonable" owners' compensation amounts can save you thousands of dollars every year in FICA and Medicare taxes;
- Make sure you accurately classify workers as employees or independent contractors. Harsh penalties can result from incorrectly paying an employee "off the payroll" as "casual labor;"
- There are many different types of tax-favored retirement plans, and the laws pertaining to retirement plans constantly change. Make sure your retirement plan is the best match to your organization's objectives (if not, amend or terminate the plan and replace it with the retirement plan which best fits your objectives);

- If you are a non-profit corporation or church which sponsors Section 403(b) tax-deferred annuity plans for employees, review your annuity program with the plan sponsor or a consultant to comply with strict IRS regulations which take effect during 2009; and
- If you are a church leader or administrator, make sure that every pastor has a written housing allowance declaration in effect for 2009, and that every pastor/clergy understands how to correctly "set" their housing allowance amount to save maximum income taxes during 2009.

AccuPay's teams of Certified Payroll Professionals and CPA Advisors would be pleased to assist you and your accountant with any of the above compensation tax planning strategies!

HAPPY NEW YEAR!

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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