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March 2008

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Criser, Gough, & Parrish

Small Business Alert

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Tax Stimulus Benefits Business

In addition to providing stimulus payments to individuals, the Economic Stimulus Act provides incentives to businesses. These incentives include a special 50 percent depreciation allowance for 2008 purchases and an increase in the small business expensing limitation for tax years beginning in 2008.

Depreciation is an income tax deduction that allows a taxpayer to recover the cost or other basis of certain property over several years. It is an annual allowance for the wear and tear, deterioration or obsolescence of the property.

In general, a qualifying taxpayer can elect to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. This property is frequently referred to as section 179 property, after the relevant section in the Internal Revenue Code.

Under the new law, a taxpayer is entitled to depreciate 50 percent of the adjusted basis of certain qualified property during the year the property is placed in service. This is similar to the special depreciation allowance that was previously available for certain property placed in service generally before Jan. 1, 2005, often referred to as “bonus depreciation.” To qualify for the 50 percent special depreciation allowance under the new law, the property must be

placed in service after Dec. 31, 2007, but generally before Jan. 1, 2009.

To reflect the new 50-percent special depreciation allowance, the IRS is developing a new version of the depreciation and amortization form for fiscal year filers. The new form will be designated as the 2007 Form 4562-FY.

Under the new Section 179 law, a qualifying business can expense up to \$250,000 of section 179 property purchased by the taxpayer in a tax year beginning in 2008. Absent this legislation, the 2008 expensing limit for section 179 property would have been \$128,000. The \$250,000 amount provided under the new law is reduced if the cost of all section 179 property placed in service by the taxpayer during the tax year exceeds \$800,000.

The new law does not alter the section 179 limitation imposed on sport utility vehicles, which have an expense limit of \$25,000.

(SmartPros, 2/25/08)

I am thankful for the taxes that I pay because it means I am employed.

— Nancy J. Carmody

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New Employer Rules, I-9 Form for Worker Verifications

All employers are responsible for verifying the identity and eligibility of employees to work in the United States if those employees were hired after November 6, 1986. Employers must complete an Employment Eligibility Verification form, better known as Form I-9, for each new employee.

Form I-9 is not an IRS form and is not filed with any government agency. Employers can be assessed fines for failing to comply with the requirements summarized below.

In 2007, the U.S. Citizenship and Immigration Services (USCIS) of the Department of Homeland Security released an updated Form I-9. Be sure to use the current form rather than the previous form.

The new Form I-9 contains a number of changes, including the following:

1. Five documents were removed from List A (documents establishing identity and employment eligibility), and one document added;
2. All employment authorization documents with photographs have been consolidated as one item on List A;
3. The Form I-9 instructions now indicate that the employee is

not required to provide his or her Social Security number in Section 1 of the Form I-9, unless he or she is employed by an employer who participates in E-Verify;

4. Employers may now sign and retain Forms I-9 electronically.

Employers should:

1. Remind new employees to bring their documents the first day of work. Ensure that each new employee completes Section 1 of the Form I-9 at the time of hire. Review the employee's documents and fully complete Section 2 of the Form I-9 within 3 business days of the hire.
2. Review the USCIS web site for instructions that will assist you in completing the Form I-9. You can also download Form I-9 from the USCIS web site.
3. Keep each Form I-9 for at least three years, or until one year after the person leaves employment. Forms should be kept confidential.

(Church Finance Today, 2/08)

Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

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