

BUSINESS TAX TIPS

The maximum mileage rate for business use of your automobile is currently 36.5 cents per mile. *Be sure to keep a good mileage log!*

The amount of earnings subject to Social Security taxes is \$84,900 in 2002. All earnings are subject to Medicare tax.

Internal Revenue Code Section 179 allows you to write off purchases of business assets up to \$24,000 in 2002, subject to limitations. If you have not reached the limit and plan to purchase assets early next year, you may want to accelerate your plans. In 2003, the maximum deduction increases to \$25,000.

If your business engaged an attorney and paid more than \$600, you are required to issue them a Form 1099-MISC.

Profit Sharing or Money Purchase Pension Plans must be established by December 31. However, funding of the plans may be deferred until the due date of the tax return.

Accrued Vacation Pay (i.e. vacation earned by your employees but not yet taken) is generally not deductible until it is actually paid. So even though your GAAP-basis financial statements may show it as a liability, your tax return will not include it as an expense. To prevent a large difference you may wish to limit the amount of vacation that an employee may carry over at year-end.

If you sponsor a 401(k) or SIMPLE 401(k) plan, the maximum salary deferral per employee is \$11,000 in 2002, plus an additional \$1,000 if the employee is over age 50. There may be additional limitations based on compensation levels, multiple plans, and non-discrimination rules.

The information mentioned here in above is of general nature and cannot be regarded as legal or tax advice. For more information, please contact Anne Tahim at 714-772-4744