



TAX LAW UPDATE



**By Kurt J. Kilwein,
CPA, Senior Tax
Manager**

Congress has again been working very hard to prove Einstein right when he said, "The hardest thing in the world to understand is the income tax."

We have seen a dozen new federal tax acts in the last two years alone. In addition to not conforming to many of the recent, and not so recent, federal tax law changes, California has also been busy passing tax law changes of its own. The recent elections, economic situation and California's continuing budget issues may all result in additional tax laws in the near future, some retroactive.

Some of the more important tax provisions are among the following:

Individuals

The age at which a child may have to pay the "kiddie tax," under which a child's income may be taxed at the parents' tax rate, increases from under age 18 in 2007 to under age 19 (or under age 24 for students) in 2008.

A first-time homebuyer can receive a tax credit up to \$7,500. This credit is essentially an interest free loan as you must repay it over 15 years, or sooner if the house is sold or rented. The credit is subject to income limitations.

If you lose your main home through foreclosure or a short sale, up to \$2,000,000 of acquisition debt forgiveness will not be taxable.

If you are age 70 1/2 or over and charitably inclined, you can again make up to a \$100,000 qualified charitable IRA distribution. This provision expires at the end of 2009. You are not required to take your 2009 "Required Minimum Distribution" from your

qualified retirement accounts if you are age 70 1/2 or over.

Business

The "Section 179" expensing limit for business purchases increases to \$250,000 for 2008 and then decreases to \$133,000 in 2009.

Calendar year partnership, estate and trust returns can receive extensions only until September 15, not October 15 as in prior years. You should receive your K-1s by September 15.

California

Beginning with 2009 tax estimates, you can no longer pay your California estimates in four equal payments. The first and second payments will each be for 30% of the total required payment, and the last two payments will each be for 20%.

If your AGI is over \$1,000,000, you can no longer "safe harbor," or base your California estimated tax amount on 110% of your prior year tax. You must base your payments on your current year tax liability.

Taxpayers with a tax liability of \$80,000 or more, or an estimate of over \$20,000, can no longer pay by check and must use electronic funds transfer via the Franchise Tax Board website. Please visit www.ftb.ca.gov and look for "Web Pay."

California suspended net operating loss deductions for 2008 and 2009, except for certain small businesses. The rules provide for additional major changes in following years.

LLCs will pay the LLC fee twice in 2009: once in April and again in June. The \$800 annual tax is not affected.

As always, Congress may again change the tax law. The constant changes, complexities and uncertainty in the tax law make proper tax planning essential. Please do not hesitate to call us if you would like more information about how the changing tax laws affect you or your business.

Other Noteworthy Items

*Traditional and Roth IRA contribution limits increase:

2008: \$5,000. 2009: \$5,000. Taxpayers 50 and older add \$1,000 both years.

*Traditional and Roth 401(k) employee contribution limits:

2008: \$15,500. 2009: \$16,500. Taxpayers 50 and older, an additional "catch-up" at \$5,000 for 2008. \$5,500 for 2009.

*Gift tax annual exclusion: 2008: \$12,000. 2009: \$13,000. Lifetime exemption remains at \$1,000,000 both years.

*Estate tax exemption: 2008: \$2,000,000. 2009: \$3,500,000.

*Business mileage reimbursement rate changes:

1/1/2008 thru 6/30/2008: \$.505 per mile.
7/1/2008 thru 12/31/2008: \$.585 per mile.
Beginning January 1, 2009: \$.55 per mile.

Kurt Kilwein, CPA, Senior Tax Manager at NSBN, consults on all aspects of tax planning and compliance. Prior to joining NSBN, he worked with the Internal Revenue Service (IRS), a Big Four accounting firm and the Private Bank Division of Bank of America. He is a Certified Financial Planner (CFP) and holds licenses as a Real Estate Broker and Life Insurance Agent.

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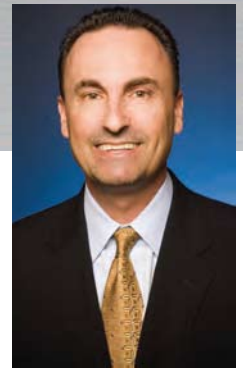
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Payroll Tax Update 2009

Payroll Tax Rates for 2009 Payroll Checks Issued After December 31, 2008

	Tax Rate	Wage Ceiling	Maximum Amount
Federal			
Employee FICA: Social Security Tax Medicare Tax	6.20% 1.45%	\$106,800.00 None	\$6,621.60 Unlimited
Employer FICA	Same as employee	Same as employee	Same as employee
Self-employed: Social Security Tax Medicare Tax	12.40% 2.90%	\$106,800.00 None	\$13,243.20 Unlimited
Unemployment Insurance(net)	0.80%	\$7,000.00	\$56.00
State			
Disability Insurance	1.10%	\$90,669.00	\$997.36
Unemployment Insurance	Varies	\$7,000.00	Varies

From The Managing Partner



You hear it everywhere, “I’m sure glad to see 2008 come to an end”. Though I agree for the most part, 2008 did have its advantages for some.

For example, if you were in the market for a new flat panel TV, it was a great time to buy but not such a great time to sell. We saw the price of a gallon of gas fall to the high one-dollar-a-gallon range. Great new car deals could be had for those who could qualify for a loan or lease. And finally, for those looking to purchase a new home, we have seen rates on mortgages hit all time lows, again assuming you could find a lender and qualify.

At the same time, 2008 showed us what can happen when lenders make bad loans: credit begins to freeze and foreclosures hit record numbers. These events have resulted in tremendous losses to our portfolios and the loss of thousands of jobs.

It is this that will affect us most as we move into 2009.

What can we do to protect our savings and our businesses from future harm?

Should we move what’s left of our retirement assets to cash to “protect” them from further losses? In so doing, do we risk missing the few positive stock market days that can make our assets grow?

I believe our history and experience indicate we should continue to invest in our futures by staying on a sound plan of investing in both stocks and bonds. If the stock market should continue to decline, we will be purchasing shares of companies at an even better price than prior purchases. At the same time, we should maintain sufficient cash reserves, pay down credit card debt, be adequately insured, and formulate or update our personal financial goals. This is also an excellent time to review your tax situation for the upcoming year with your financial advisors and CPA.

For all investors at every level, be aware that investment scams are an ongoing threat to every investor; most do not make the headlines but the losses are real regardless. Make sure you have vetted your financial advisors and that you are monitoring your investments on a regular basis.

To verify your advisors’ good standing, you can utilize the following websites: North American Securities Administrators Association, www.nasaa.org, Financial Industry Regulatory Authority, www.finra.org, and Securities and Exchange Commission, www.sec.gov

It’s generally not advisable to invest in anything that you don’t understand. Never invest solely to “chase the return.” And, of course, if it looks too good to be true, it most likely is.

With regard to our businesses, we need to do whatever is needed to stay afloat while our economy rights itself. This may include becoming even leaner than you are now. Consider the elimination of both marginal products and services, maintain tighter control over operations, review financial and sales data more frequently for trend analysis, and examine carefully line items on the expense side. Some “expenses,” however, may be more aptly considered “investments” in the future of your business. For example, basic marketing costs for your main products and services can plant seeds that you will harvest that much sooner once the economy is stabilized.

In both personal and business choices, considering both the short and long-term perspectives will enable you to make balanced decisions.

Only time will tell what the “right” decision is; in the meantime, try to stay the course. I do believe better days lie ahead.

Kenneth A. Miles, CPA, Managing Partner

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Tayiika M. Dennis, CPA, Joins NSBN’s Nonprofit Department

Tayiika M. Dennis, CPA, Manager, provides audit and consulting services to nonprofit organizations, including OMB Circular A-133 audits. Tayiika is a graduate of UCLA and of the Riordan Volunteer

Leadership Development Program and the California CPA Leadership Institute. She is a member of the California CPA Society Nonprofit Conference Planning Committee. *Tayiika can be reached at 310.288.4213 or tmd@nsbn.com*



We have a new look!

NSBN proudly announces the launch of our newly designed website. You’ll find user-friendly tax tools and calculators, NSBN in the news, video, a virtual office tour and more!

See our new look at

www.nsbn.com

Coming April 2009

By Sharon J. Altman, CPA, Partner



• Congratulations to **Sandy Itkoff** on her Emmy Nomination for Best Documentary. Sandy produced the feature-length documentary film, *The Killer Within*, which premiered at the Toronto International Film Festival. The score was recorded by the Kronos Quartet and included

new music by Natalie Merchant.

THE KILLER WITHIN focuses on a Columbine-type crime that took place fifty years ago at Swarthmore College when a student, who claimed he was brutally bullied, planned to kill everyone in his dorm and started to carry it out. Today, that student is Professor Bob Bechtel who teaches the psychology of youth violence, and who, until now, has kept his own story secret.

The film follows Bob's coming out, motivated by his desire to raise awareness about bullying and the extremes to which it can lead. Bob has been married for 32 years and is a father of two daughters. It is their quest to unearth their father's character that drives the narrative of the film — how could the man who taught them to brush their teeth also have shot a sleeping man in the head?

In the end, viewers are left to make up their own minds about what happened at Swarthmore and to wrestle with the larger issues of justice, redemption, evil and youth violence that continue to rise in America.

• *Rune Warriors*, the first of a three-book series, written by **James Jennewein and Tom S. Parker**, is now out. It is a fantasy adventure-comedy (for readers 8 and up) set in the ancient world of the Vikings. A rollicking tale that puts a fresh twist on Norse mythology, *Rune Warriors* follows the exploits of a 13-year-old Viking boy, Dane the Defiant, who goes on a quest to save the girl he loves and defeat the evil Thidrek the Terrifying. Along with his friends Drott the Dim and Fulnir the Stinking, Dane has to battle angry Norse gods, fantastic creatures, trash-talking trolls, twenty-foot-tall frost giants and more. Published by HarperCollins. Visit their website at www.runewarriors.net



James and Tom

• Congratulations to **Jordan Peele** for his Emmy nomination for Outstanding Original Music and Lyrics for "Sad Fitty Cent" on *MADtv*. Jordan appeared on *MADtv* from 2003 thru 2008. He is currently playing Kelvin Melvin in *Chocolate News* on Comedy Central, has appeared on VH1's *Free Radio*, and regularly portrays Barack Obama on *Funny or Die*.



• **Brent Spiner's** album, *Dreamland*, is out. *Dreamland* is a wildly unique creation: part concept album, part radio show, part stage musical. The album uses dialogue, sound effects, music and songs to tell a story. And the story is a dream. The central character drifts in and out of sleep. The entire tale is his romantic dreamscape and the music echoes the shifting and transitory experience of sleep. It is performed by Brent Spiner and Maude Maggart. Brent's credits include Data on *Star Trek: TNG*, Dr. Brakish Okun in *Independence Day*, and John Adams in *1776* on Broadway.

Check it out at www.therealbrentspiner.com

• Watch for **Amy Davidson** guest-starring on an upcoming episode of *Criminal Minds*. Amy recently starred as Helen "Hel" Remus in the Lifetime Movie Network's TV mini-series *The Capture of the Green River Killer*. Amy's credits include Kerry on the sitcom *8 Simple Rules*, Ella Eason in the TV movie *Annie's Point* and guest-starring roles on *CSI: NY*, *Malcolm in the Middle*, *Strong Medicine* and *Judging Amy*.



Anna and Charlotte

• *LOVELACE A Rock Opera*, by **Anna Waronker** and Charlotte Caffey, is on an extended run through February 28th at The Hayworth Theatre.

The show tells the story of Linda Lovelace — from pregnant teenager in Yonkers, New York, to her turbulent relationship with husband, Chuck Traynor, and the making of *Deep Throat*, through to her triumphant rebirth as activist and suburban wife and mother. Anna and Charlotte wrote the book, music and co-wrote the lyrics for *Lovelace*. Anna has released several albums as a solo artist and with her previous band, That Dog. She also composes for film and television.

Check it out at www.lovelacearockopera.com

• Be sure to catch **Enrico Colantoni** starring as Sgt. Gregory Parker on the CBS drama *Flashpoint*. The TV show is about a team of elite cops known as the Strategic Response Unit (inspired by Toronto's Emergency Task Force). This unique team rescues hostages, busts gangs and defuses bombs. They handle state-of-the-art weapons, but they are also trained negotiators and profilers. Enrico's other credits include Rene Angelil in the TV movie *Céline*, Keith Mars on *Veronica Mars*, Elliott DiMauro on *Just Shoot Me* and Mathesar in the feature film *Galaxy Quest*.



• Our Congratulations to **Jeffrey S. Levine**, President of Levine Management Group, Inc. (www.levinegroups.com), on his appointment by the Mayor and the City Council to serve as a member of the Beverly Hills Traffic & Parking Commission. Commissioner Jeff Levine began his six-year term in May 2008. His main goal is to address the growing traffic concerns throughout the community. "I am very honored to have been called upon to help address this extremely important 'quality of life' issue," he says.



We publish our "Clients in the News" column annually, so please keep us posted during the year on the happenings in your life, career and business.

Sharon J. Altman, CPA, Partner at NSBN, provides business management and tax services for individuals in the entertainment industry and other high net worth individuals. Sharon handles day-to-day money management for her clients and helps her clients to preserve their capital and build their wealth.



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