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## Tips, Tricks & Tools

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### The Cost-of-Living dollar limits for the Tax Year 2000

401(k) deferral limit \$10,500  
Annual compensation limit \$170,000  
Defined contribution IRC Sec 415 limit \$30,000  
Compensation limit for SEP eligibility \$450  
Deferral limit for SIMPLE \$6,000  
IRC Section 179 \$20,000  
Unified Credit Exclusion \$675,000  
Self-employed health insurance AGI deduction 60%  
Business mileage rate \$0.325/mile  
Medical mileage rate \$0.10/mile  
Charitable mileage rate \$0.14/mile  
Automobile depreciation limit: first year \$3,060  
Second year \$4,900  
Third year \$2,950  
Each succeeding year \$1,775  
Federal minimum wage \$5.15 per hour

Retirees under 65 may earn up to \$10,080 (\$840 a month). For each \$2 earned over the amount for the year, the retiree loses \$1 in benefits. No limit if 65 or over, effective January 1, 2000.

Social Security Wage Base \$76,200

As you work and pay Social Security taxes, you earn "Credits", up to a maximum of 4 for each year. The amount of earnings it now takes to earn a credit changes each year. In 2000, you earn one credit for each \$780 of your earnings. So if you have earned at least \$3,120 during the year, you get the maximum 4 credits.

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### START YOUR YEAR-END TAX PLANNING NOW

The first step is to look at this year's financial results year-to-date and also take a look at next year's expected results.

Time your year-end income and deductions. The general rule is to defer income into next year to postpone taxes, and accelerate deductions into this year. But if you expect to be in a higher income tax bracket next year, it may pay to do the reverse, realize income this year when it will be taxed at a lower rate, and save your deductions for next year when they will provide a greater tax savings.

Cash-basis business owners can time the sending of bills and invoices to your clients so that payments are received before, or after, year-end. You can also time the payment of expenses and choose to pay bills before or after the year-end. You can charge many of your deductible expenses on a general purpose credit card and take the deduction in the year that it was charged.

Be sure to take advantage of all available tax credits. Small business owners can get a 50% tax credit for the cost of removing barriers to disabled persons' access to the premises. This credit may also apply to new equipment that is designed to accommodate the disabled. A company that hires new workers who have been on public assistance is also eligible for tax credits.

If you are thinking of purchasing new business equipment, the IRC Sec 179 deduction limit for 2000 is \$20,000. Businesses are allowed to deduct the cost of certain equipment in the first year it is placed into service, rather than having to depreciate it over 5 or 7 years. This does not apply to most autos and to real estate. The equipment only needs to be placed into service by December 31st. You can purchase it with a credit card or business loan, and pay for it later, but get the deduction in 2000.

Individuals who may have medical expenses or miscellaneous itemized deductions should consider "bunching" these deductions in order to get past the annual AGI limitation. As with cash-basis businesses, these expenses charged on a general purpose credit card are deductible in the year they are charged, not when the credit card bill is paid.

Individuals who itemize their deductions and make estimated tax payments should consider paying the fourth installment of the state estimated taxes by December 31st to accelerate the deduction on the federal return to this year rather than next year.

Be sure to maximize your retirement contributions. Take advantage of any 401(k) plans sponsored by your employer. Maximize your Roth IRA contributions. If you are not eligible for a Roth IRA, maximize your traditional non-deductible IRA contribution. If you have a small business, explore your retirement plan options.

If you want to fund an Education IRA for your children, the year 2000 contribution is due by December 31, 2000.

### RETIREMENT PLAN AMENDMENTS

The Internal Revenue Service has extended the deadline until the last day of the 2001 plan year for amending qualified retirement plans to comply with all of the changes made by the last five recent laws. Be sure to follow up with your attorney or retirement plan representative to be sure you meet this deadline. If you adopted a prototype plan, the plan should be automatically amended to be in compliance, but check with your representative to be sure you have completed all the necessary paperwork and provided your plan participants the proper disclosures and notifications.

## DEADLINES

### October

5

Personal Property Tax Payment Due (Virginia Counties)

15

Monthly-filers Form 941 federal tax deposit due  
Form 5500 Annual Report Final Due Date

DC sales tax return and payment due, quarterly and  
monthly filers

Maryland income tax withheld return and payment due,  
monthly filers

Federal, DC and Maryland Individual Income Tax Returns  
final due date, if Form 2688 or additional extension was  
filed

20

Virginia and Maryland sales tax return and payment due,  
quarterly and monthly filers

DC income tax withheld return and payment due, quarterly  
and monthly filers

31

Form 941 due

Virginia income tax withheld return and payment due,  
quarterly and monthly filers

Maryland income tax withheld return and payment due,  
quarterly and monthly filers

State unemployment tax returns and payment due  
Form 940 federal tax deposit due

### November

1

Virginia Individual Income Tax Return, final due date if  
second Form 760-E was filed

15

Monthly-filers Form 941 federal tax deposit due  
DC sales tax return and payment due, monthly filers  
Maryland income tax withheld return and payment due,  
monthly filers

20

Virginia income tax withheld return and payment due,  
monthly filers

DC income tax withheld payment return and payment due,  
monthly filers

Virginia and Maryland sales tax return and payment due,  
monthly filers

### December

15

Monthly-filers Form 941 federal tax deposit due  
DC sales tax return and payment due, monthly filers  
Maryland income tax withheld return and payment due,  
monthly filers

20

Virginia income tax withheld return and payment due,  
monthly filers

DC income tax withheld payment return and payment due,  
monthly filers

Virginia and Maryland sales tax return and payment due,  
monthly filers

31

Virginia, DC and Maryland individual estimated tax  
payment #4, if you itemize your deductions  
Education IRA Contribution Due for Year 2000

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### SOCIAL SECURITY'S ROLE IN RETIREMENT

Personal income is up, but personal savings are at an all time low. Projections indicate that you will need about 70% of your pre-retirement income to live comfortably in retirement. Along with your future Social Security retirement benefits, you will need to accumulate enough personal savings and pension income to meet this level. On average, 40% of retirement income comes from Social Security.

Age 62 is the earliest that you can collect Social Security retirement benefits. If you are among the 150 million Americans born after 1937, the age at which you qualify for full Social Security benefits has risen above 65. The full retirement age, when you qualify for 100% of your benefits, used to be 65 for everyone. Beginning this year, it can fall anywhere between 65 and 67, depending on your year of birth. You can still retire at 62, however, your monthly check will be smaller than before. Your benefits will increase if you delay taking benefits until after your full retirement age.

If you retire early, or don't receive your full benefits until later, you will have to save enough to offset the reduction in retirement income. Otherwise, plan on working a bit longer or spending less in retirement.

The Social Security Retirement Planner can help you find more information about your benefits and how they will affect your retirement plans. [www.ssa.gov/retire/](http://www.ssa.gov/retire/)

### WEB SITES

The new IRS Electronic Tax Law Assistance web site at <http://www.irs.gov/help/newmail/user.html> gives taxpayers written answers to tax law and procedures questions. It is designed to avoid those phone calls to IRS where callers are kept on hold forever. You can still call and stay on hold at 1-800-829-1040.

Before the year-end, the Social Security Administration plans to have an instant response web site for its Employee Verification Service. Currently, verification is submitted on paper, mag tape or diskette and can take a week to process.

An Interactive W-4 Calculator in the "Tax Info For You" section of the IRS Website at [www.irs.gov](http://www.irs.gov) may be helpful in completing the form W-4.

### ONLINE INVESTMENT PLANNING

American Century's Fund Advisor evaluates your portfolio and provides impartial recommendations at no charge. You enter your specific investment goals, time horizon, risk tolerance and personal information. The program indicates that it may take 30-60 minutes and you need to have your tax returns and financial information handy for reference. [www.americancentury.com/advice/AdviceIndex](http://www.americancentury.com/advice/AdviceIndex)