

Rosen Seymour Shapss Martin & Company LLP
Certified Public Accountants & Profitability Consultants

*Employee Benefits and Executive Compensation Services
Group*

RSSM Alert

Year End Tax Planning

Dear Client and Friends of the Firm:

As we approach the end of the year, now is the time to take action to enhance benefits and minimize taxes. Among them are

You can still make a charitable contribution from your IRA or Roth IRA. The recently enacted Emergency Economic Stabilization Act extended the tax code provision enabling direct transfers from IRA accounts through the end of 2009. If you are 70 -1/2 year of age or older you can make a charitable contribution of up to \$100,000 directly from your IRA account. The amount contributed will count towards your annual minimum distribution requirement, and will not be included in income. In addition, you will realize the full benefit of a contribution that might otherwise be limited as an itemized deduction. To be eligible for 2008 you must make the contribution by December 31, 2008 and you must do it right. Please contact us to make sure the necessary paperwork is executed timely and correctly.

Required Minimum Distributions. Individuals who are age 70-1/2 or older are required to take a distribution from their IRA accounts, and in most instances, other qualified retirement plans, annually. The distribution is included in income for tax purposes. The minimum distribution that must be taken is based on the balance in your retirement accounts at the end of the previous year and your remaining life expectancy based on tables provided by the IRS. The distribution must be made by December 31st.

For individuals turning 70-1/2 in 2008, the initial distribution must be made by April 1, 2009. But if you turned 70-1/2 in 2008 and postpone taking the 2008 distribution until April 1st of next year, you will be responsible for two required minimum distributions in 2009 - one for the year you turned 70-1/2 (i.e. 2008) and one for 2009. Now is the time to consult with your advisors to determine how best to structure the timing of your required distributions.

IRA/Roth IRA Recharacterizations and Conversions. The IRS permits IRA owners to recharacterize current IRA contributions from one type (traditional or Roth) to the other. Additionally, if you meet certain requirements it is also possible to convert all or part of your IRA to a Roth IRA. This may be advantageous if you have relatively low income in 2008 and the tax burden of such a conversion this year would be outweighed

by the potential future tax savings that a Roth IRA affords. If it turns out that your 2008 income was greater than expected, your conversion can be reversed without penalty if completed by the filing deadline for your 2008 tax return, including extensions. There are rules limiting the timing and frequency of conversions, recharacterizations and reconversions. You should consult your tax advisor to determine the best course of action for your particular circumstances.

Establishing a new retirement plan. Qualified defined benefit and defined contribution retirement plans must be established by the end of the year in order to make a tax deductible contribution for 2008. While the actual contribution to the plan does not have to be made until the extended due date of the sponsor's 2008 return sometime in 2009, the actual plan must be in place by the end of 2008. If you have any questions, now is the time to ask so that we can help establish the right plan for you.

Flex Spending Account Balances - Use them or Lose them. Flex spending arrangements allow participants to pay for health and child care benefits with pre-tax dollars. The amount you choose to contribute for the year is made prior to the beginning of each new year and must be used by the end of the benefit period - either December 31 or, if the employer has elected, March 15 of the following year. For 2008, you must use the amount you had withheld from your pay by December 31, 2008, or March 15, 2009, depending on your plan. If you do not use all of the monies withheld, you will forfeit them.

In addition, you must determine the amount you wish to contribute to your 2009 flex spending account by December 31, 2008. Now is the time to review what remains to be spent of your 2008 contributions and what amount you will need to have withheld for 2009 in order to maximize your benefit.

Annual Part D Medicare Drug Coverage window ends on December 31st. Individuals can join, change or drop Medicare Drug Coverage (Medicare Part D) only during certain times. If you first become eligible for coverage during the year because of age or disability, you can join a plan during the 3 months preceding or 3 months following the qualifying event - turning age 65 or the 25th month of cash disability payments. With limited exceptions, the only other time you can join, change or drop Part D coverage, without incurring a penalty, is during the annual window which runs from November 15th through December 31st. All coverage changes made during this period become effective January 1st of the following year. Now is the time to review your coverage and plan for the coming year. Medicare D plans are offered with a variety of options and by all major insurance companies. All plans must offer certain basic coverage, but most insurance companies offer plans with additional features at additional costs. Based on past experience you should attempt to estimate your annual drug expenses for 2009 and see which plan is best suited for you. One of the big determinants of your annual expenditure on prescription drugs is whether or not generic brands are, or will soon become, available. A little research can save you money.

Should you have any questions please feel free to contact me at 212-303-1806 or e-mail me at aneumark@rsmcpa.com.

Sincerely,

Rosen Seymour Shapss Martin & Company LLP

Avery E. Neumark, CPA, JD
Partner-in-Charge of Employee Benefits and Executive Compensation

[Forward email](#)

✉ **SafeUnsubscribe®**

This email was sent to amorris@rsmcpa.com by amorris@rsmcpa.com.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Rosen Seymour Shapss Martin & Company LLP | 757 Third Avenue | New York | NY | 10017