



## *This Month:*

- ◆ 3rd Quarter 2009 Due Dates
- ◆ REMINDER: New Form I-9!
- ◆ Determining Insolvency
- ◆ Tax Deductible Vacations?

### 3rd Quarter 2009 Due Dates



#### July 31:

- *Employers.* File Form 941 for 2nd quarter 2009.
- *Employers.* Form 5500 or 5500-EZ for calendar year 2008 due if you maintain an employee benefit plan, or file Form 5558 to request an extension.

#### September 15:

- *Individuals.* 3rd installment of 2009 estimated tax due.
- *Calendar-year C Corporations.* 3rd installment of 2009 estimated tax due.
- *All Corporations.* 2008 returns due for calendar-year C and S corporations (Form 1120 & 1120S) if on extension.
- *Partnerships.* Calendar-year 2008 return due (Form 1065) if on extension.

### REMINDER: New Form I-9!

Beginning April 3, all employers are required to use the newly-revised Form I-9 *Employment Eligibility Verification*, available at [uscis.gov](http://uscis.gov). No employer can lawfully hire *anyone* (U.S. citizens or aliens) without checking the person's identity and authorization for employment using Form I-9. Violators face severe penalties, including civil and criminal penalties (from \$110 to \$16,000 per unauthorized employee, plus potential imprisonment of up to six months). There are also penalties for document fraud and recordkeeping violations. Here are some tips for fulfilling the Form I-9 requirements:



1. Use only the newly-revised form with revision date 02/02/09.
2. Present the form **after** making the employment offer.
3. Request documentation from ALL persons hired, including temporary workers.
4. Have the employee complete Section 1 no later than the date the employee begins working.
5. Inspect the documents within three business days of employment.
6. Accept only authentic-looking unexpired documents.
7. Complete Section 2 within three business days of employment.
8. Require those without documents to prove they've been applied for, and produce them within 90 days of hire.
9. Don't file Form I-9 in the employee's personnel file. Use a separate file for all I-9s.
10. Retain all Forms I-9 for the longer of three years after hire date, or one year after termination date.

### Determining Insolvency

It is becoming common to experience debt relief in these challenging times. Debt relief is usually taxable if not relieved through bankruptcy proceedings. However, canceled debt is not included in income to the extent that you are insolvent immediately before the cancellation. You are insolvent if all of your liabilities exceed the fair market value of all of your assets. Because of the difficulty in determining insolvency, the IRS has developed a comprehensive insolvency worksheet. It can be found in the newly revised edition of Publication 4681, *Canceled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)*. The result can then be used to determine whether and to what extent your canceled debts are excluded from gross income.

## TAX DEDUCTIBLE VACATIONS?

*Although business is business, and pleasure is pleasure, the world rarely adheres to absolutes. So, as the summer vacation season begins to unfold, you may want to consider mixing some leisure time in with your business travel. With a little planning, you can get Uncle Sam to subsidize your downtime.*



**Business or Pleasure.** The IRS doesn't specify the determination of whether a trip is for business or pleasure on domestic trips. However, looking to the rules on international travel for guidance, the number of days spent on each type of activity is the key. An important factor in determining if the trip is primarily business or pleasure is the amount of time spent on each, although this isn't the sole factor. In general, the trip is "primarily for business" if more than half of the days is spent on business activities.

The following days count toward your total business days:

- Travel days;
- Weekends and holidays, if they fall between days devoted to business and it would be impractical to return home;
- "Standby days," when your physical presence is required, also count as business days – even if you're not called upon to work on those days;
- Any other day *principally* devoted to business activities during normal business hours; and
- Days you intended to work but couldn't due to reasons beyond your control (local transportation difficulties, power failures, etc.)

If the trip doesn't involve the actual conduct of business but is for the purpose of attending a convention, seminar, etc., IRS checks the nature of the meetings carefully to make sure they are not vacations in disguise. Be careful to save all material helpful in establishing the business nature of this travel. Meticulous recordkeeping and thorough planning are necessary.

**Transportation costs.** The cost of traveling within the United States is 100% deductible as long as the primary purpose for the trip is business rather than pleasure. In contrast, no travel deductions are allowed if the main reason for a trip is personal.

**Meals and Lodging.** Once at your destination, expenses for such items as lodging, hotel tips, local cab fares, and 50% of meals are deductible when related to business days. However, these same types of expenses aren't deductible for non-business days. Additionally, no deduction will be allowed for meals or lodging to the extent the expense is "lavish or extravagant." Although this term isn't defined in the tax rules, it has been interpreted to mean "unreasonable."

Personal entertainment costs on the trip aren't deductible (such as a sightseeing tour), regardless of the day on which they fall. But business-related costs such as dry-cleaning, phone calls, and computer rentals are.

**Taking Your Spouse.** The rules on deducting the costs for a spouse accompanying you on a business trip are very restrictive. No deduction is allowed unless your spouse is an employee of yours or your company and his or her travel is also for a business purpose. This means you can't deduct the travel costs of a spouse, even if his or her presence has a bona fide business purpose, unless your spouse is a bona fide employee of your business.

If your spouse is your employee, and if his or her presence on the trip serves a bona fide business purpose, then you can deduct his or her travel costs. Merely having your spouse perform some incidental business service - such as typing up notes from a meeting - isn't enough to establish a business purpose. In general, it isn't sufficient for your spouse's presence to be "helpful" to your business pursuits—it must be "necessary."

If your spouse's travel is not deductible, you can still deduct your own travel and meals; however, a shared cost - as with lodging - is deductible only at the single rate.

Not sure whether your travel expenses will be deductible? Take a few minutes to give our office a call.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

**PENALTY NOTICE:** As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.