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# DOLLARS & SENSE

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## **SPECIAL TAX BREAK AVAILABLE FOR NEW CAR PURCHASES THIS YEAR**

The Internal Revenue Service has announced that taxpayers who buy a new passenger vehicle this year may be entitled to deduct state and local sales and excise taxes paid on the purchase on their 2009 tax returns next year.

“For those thinking about buying a new car this year, this deduction may give them a little more drive to make their purchase this year,” said IRS Commissioner Doug Shulman. “This deduction enables taxpayers to buy now and get cash back later on their tax returns.”

The deduction is limited to the state and local sales and excise taxes paid on up to \$49,500 of the purchase price of a qualified new car, light truck, motor home or motorcycle.

The amount of the deduction is phased out for taxpayers whose modified adjusted gross income is between \$125,000 and \$135,000 for individual filers and between \$250,000 and \$260,000 for joint filers.

The IRS also alerted taxpayers that the vehicle must be purchased after February 16, 2009, and before January 1, 2010, to qualify for the deduction.

This special deduction is available regardless of whether a taxpayer itemizes deductions on his/her return. The IRS reminded taxpayers the deduction may not be taken on 2008 tax returns.

## **CONSIDER YOUR KIDS FOR A SUMMER JOB**

Summer is almost here, and soon most children will be on their long vacation. If you own or manage a business, have you thought of hiring your children or your nieces or nephews for a summer job?

If you do it right, it can be a win-win situation for everyone. The kids will earn some money and gain valuable real-life experience in the workplace. The business will have some extra help during summer

months when other staff is on vacation. If it's a

family business, there might even be some tax advantages as well.

Generally, if your child is doing a valid job and the pay is reasonable for the work, your business can claim a normal tax expense for wages paid. Your child will probably pay no or very little income tax on the wages earned. And if he or she is under age 18 and your business is unincorporated, neither your child nor your business will have to pay FICA payroll taxes in most cases.

To make the arrangement work, follow these guidelines:

- Make sure it's a real job, no matter how basic or simple. It could be office filing, packing orders, or simple production activities.
- Treat your child like any other employee. Expect regular hours and appropriate behavior. Don't show favoritism, or you risk upsetting regular employees.
- To avoid any IRS challenge, make sure the pay is reasonable for the work performed. You might want to prepare a written job description for your files.
- Keep records of hours worked just as you would for any employee. If possible, pay your child using the normal payroll system and procedures.
- Keep family disputes out of the workplace. If the arrangement is not working, or is disrupting the business, help your child find a summer job in some other business.

## **TUNINK MURRAY FINANCIAL GROUP OFFICE HOURS**

**Monday thru Friday                      8:00 a.m. to 4:30 p.m.**

*“If dandelions were hard to grow, they would be most welcome on any lawn.”*

Andrew V. Mason