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We are pleased to provide you with our online informational newsletter, which we believe you will find of interest. Every month, brief articles on relevant topics are included, along with a tax calendar for the current and following month.

Interested in knowing more about our firm? Please take a minute to browse our website at [www.cohensmithcpas.com](http://www.cohensmithcpas.com).

**Other helpful on-line services**

[www.IRS.gov](http://www.IRS.gov)

[www.MyFlorida.com](http://www.MyFlorida.com)

[www.Volusia.org](http://www.Volusia.org)

**August 2009**

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## **Florida's Minimum Wage Increase**

Effective July 24, 2009, Florida's minimum wage is \$7.25 per hour. This is up from \$7.21 per hour minimum wage that was effective January 1, 2009.

In deciding whether the federal or state minimum wage applies, federal law directs that businesses must pay the higher of the two. The Florida minimum wage will prevail over the federal rate until such time as the federal minimum wage becomes higher than the state rate. The federal minimum wage increased to \$7.25 on July 24, 2009. On this date, Florida employers must increase the minimum wage from \$7.21 to \$7.25.

Employers must pay their employees the hourly state minimum wage for all hours worked in Florida. The definitions of "employer," "employee" and "wage" for state purposes are the same as those established under the federal Fair Labor Standards Act (FLSA). Employers of "tipped employees" who meet eligibility requirements for the tip credit under the FLSA, may count tips actually received as wages under the FLSA. However, the employer must pay "tipped employees" a direct wage. The direct wage is calculated as equal to the minimum wage (\$7.25) minus the 2003 tip credit (\$3.02), or a direct hourly wage of \$4.23 as of July 24, 2009.

Employees who are not paid the minimum wage may bring a civil action against the employer or any person violating Florida's minimum wage law. The state attorney general may also bring an enforcement action to enforce the minimum wage. FLSA information and compliance assistance can be found at: [www.dol.gov/dol/compliance/comp-flsa.htm](http://www.dol.gov/dol/compliance/comp-flsa.htm).

Florida Statutes require employers who must pay their employees the Florida minimum wage to post a minimum wage notice in a conspicuous and accessible place in each establishment where these employees work. This poster requirement is in addition to the federal requirement to post a notice of the federal minimum wage. Florida's minimum wage poster is available for downloading in English and Spanish from the Agency for Workforce Innovation's website at: [www.floridajobs.org/workforce/posters.html](http://www.floridajobs.org/workforce/posters.html).

The federal poster can be downloaded from the U.S. Department of Labor's website at: [www.dol.gov/esa/whd/regs/compliance/posters/flsa.htm](http://www.dol.gov/esa/whd/regs/compliance/posters/flsa.htm).

## **Home Office Deductions for the Self-employed**

The current economic situation is forcing many individuals to reconsider their employment options. If you have always wanted to start that home-based business on a full or part-time basis, a layoff or early retirement may present an opportunity to do so.

If you are self-employed and work out of an office in your home used exclusively and regularly for the business, there are strict rules that apply to deducting office-related expenses. If you are able to meet these requirements, the expenses related to your home office will qualify for the more favorable treatment as above-the-line business expenses.

Expenditures related to the home office include both direct and indirect expenses. Direct expenses include the costs of painting or repairing the home office, depreciation deductions for furniture and fixtures used in the home office, etc. Indirect expenses of maintaining the home office include the properly allocable share of utility costs, depreciation, insurance, etc., for your home, as well as an allocable share of mortgage interest, real estate taxes, and casualty losses.

If your home office is your principal place of business, the costs of traveling between your office and other work locations in that business are deductible transportation expenses, rather than nondeductible commuting costs. An additional benefit includes the ability to deduct the cost of computers and related equipment used in your home office.

If you are in the business of selling retail or wholesale products, you can also deduct expenses related to the space in your home that is used regularly to store inventory or product samples, if it is your sole fixed business location. Finally, deductions related to your home office are subject to limitations based on the net income of the business conducted from the home office.

### **FDIC Extends Increased Insurance Coverage**

The Federal Deposit Insurance Corporation (FDIC) has provided deposit insurance coverage to depositors of insured banks since 1933. It is an independent agency of the U.S. Government. In 1989, the FDIC was given the additional duty of insuring deposits in savings associations.

A depositor is normally covered by the FDIC for up to \$100,000 (\$250,000 for retirement accounts) in each insured financial institution. However, the Emergency Economic Stabilization Act of 2008 increased this amount to \$250,000 for all types of accounts for the period October 3, 2008, through December 31, 2009. The increased insurance coverage went a long way to ease depositors' fears during the recent banking crisis.

Congress recently passed legislation extending the increased FDIC insurance limits. The Helping Families Save Their Homes Act extended the \$250,000 insurance limit through December 31, 2013. This legislation also increased the FDIC's borrowing authority from the U.S. Treasury if additional funds are required to cover insured accounts. Depositors can remain confident their deposits are safe, even during this time of economic uncertainty. Additional information can be located at [www.fdic.gov](http://www.fdic.gov).

### **Leverage Standard Deduction by Bunching Deductible Expenditures**

Are your 2009 itemized deductions likely to be just under, or just over, the standard deduction amount? If so, consider the strategy of bunching together expenditures for itemized deduction items every other year, while claiming the standard deduction in the intervening years. The 2009 standard deduction for married joint filers is \$11,400; the magic number for single filers is \$5,700; it's \$8,350 for heads of households.

For example, say you're a joint filer whose only itemized deductions are about \$4,000 of annual property taxes and about \$7,000 of annual home mortgage interest. If you delay payment of your 2009 property taxes until January 2010, you could claim \$15,000 of itemized deductions on your 2010 return (\$4,000 of 2009 property taxes, plus another \$4,000 for the 2010 bill paid in 2010, plus \$7,000 of mortgage interest). For 2009, you would only have the \$7,000 of interest (no real estate taxes paid), but you can claim the standard deduction of \$11,400. Following this strategy will cut your taxable income by a meaningful amount over the two-year period (this year and next). Then, you can probably repeat the drill all over again in 2011 and 2012.

Examples of other deductible items that can be bunched together every other year to lower your taxes include the interest due with your January home mortgage payment, charitable contributions, and sales taxes on major purchases.

## **AUGUST 2009**

### **August 10**

Social Security, Medicare, and withheld income tax. File Form 941 for the second quarter of 2009. This due date applies only if you deposited the tax for the quarter in full and on time.

**Employees who work for tips.** If you received \$20 or more in tips during July, report them to your employer. You can use Form 4070.

### **August 17**

Social Security, Medicare, withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in July.

Nonpayroll withholding. If the monthly deposit rule applies, deposit the tax for payments in July.

## **SEPTEMBER 2009**

### **September 10**

Employees who work for tips. If you received \$20 or more in tips during August, report them to your employer. You can use Form 4070.

### **September 15**

Individuals - Make a payment of your 2009 estimated tax if you are not paying your income tax for the year through withholding (or will not pay in enough that way). Use Form 1040-ES. This is the third installment date for estimated tax in 2009.

Employers - For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in August if the monthly rule applies.

Corporations - File a 2008 calendar year income tax return (Form 1120 or 1120-A) and pay any tax due. This due date applies only if you timely requested an extension.

Deposit the third installment of estimated income tax for 2009. Use the worksheet Form 1120W to help estimate tax for the year.

Partnerships. File a 2008 calendar year return (Form 1065). This due date applies only if you timely requested an extension. Provide each partner with a copy of Schedule K-1 (Form 1065) or a substitute Schedule K-1.

Electing large partnerships. File a 2008 calendar year return (Form 1065-B). This due date applies only if you timely requested an extension.

S corporations - File a 2008 calendar year income tax return (Form 1120S) and pay any tax due. This due date applies only if you timely requested an extension. Provide each shareholder with a copy of Schedule K-1 (Form 1120S).