THE MYERS ASSOCIATES, P.C.
Certified Public Accountants

520 Pike Street, Suite 1040
Seattle, Washington 98101-2397

(206) 623-6116
Fax (206) 623-6929
http://www.tma-cpas.com

December 2007

TMA Report

What's Included?

LAST CHANCE FOR KIDDIE TAX PLANNING

Starting in 2008, more children will be subject to the dreaded "kiddie tax," which forces their income to be taxed at their parents' tax rate. There is still a planning opportunity, but only until December 31, 2007. For the rest of 2007, any income of a child who is age 18 or older by December 31, 2007 will be taxed at the child's tax rate. In 2008, the kiddie tax applies to children through the age of 19 or full-time students through age 23.

This means that if you have appreciated securities that you wish to sell in the next several years which are held in your child's name or UTMA account, it may make sense to recognize those gains between now and the end of the year. ♦

PRACTICE EXPANSION

We are pleased to announce that effective January 1, 2008, Bill Hood, CPA will continue his practice within The Myers Associates. Bill will continue to serve his clients for the foreseeable future and we are happy to have him join our team. We look forward to providing our excellent service to Bill's clients and welcoming them to the TMA family.

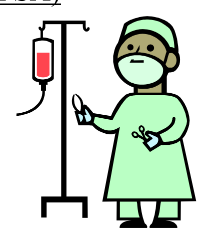
OPTIONS FOR ADDRESSING EVER-INCREASING HEALTH CARE COSTS

According to the Boston University School of Public Health, as quoted in the Journal of Accountancy in March 2007, health-related spending amounts to more than three times the federal defense budget and twice the amount the nation devotes to education. Those expenditures amount to one-quarter of the growth in the U.S. economy in recent years.

But you likely already had noticed the skyrocketing costs of health care in recent years as you considered how to fund health care benefits for your employees – and how to pay for the portion of your own medical expenses that are not covered by insurance.

Three basic types of health spending accounts offer employees the chance to pay for health care expenses with pre-tax dollars. These plans can be a welcome addition to an employee benefit package for small businesses and non-profit organizations looking to offer competitive benefits packages to employees in the face of the increasing cost (and decreasing benefits) of traditional health insurance plans. They can help provide employees access to more health care at a lower cost.

1. Flexible Savings Arrangement (FSA)



Flexible Savings Arrangements allow employees to defer pre-tax amounts from their paycheck and use those amounts to pay for eligible out-of-pocket medical expenses that are not covered by insurance. This could include medical deductibles, doctor visit co-pays, and even the cost of prescription and some over-the-counter medications. Employers can also contribute to these accounts, if desired. The plans are not tied to a health insurance plan, so they can be used whether or not the employee participates in the company's health insurance plan.

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CHANGE IN SALES TAX COLLECTION

Starting July 1, 2008, Washington businesses that deliver retail goods within Washington State must start collecting sales tax based on the location of the customer. Currently retailers are collecting sales taxes based on the location from where the merchandise is shipped, which can give some buyers a discount when making a delivery purchase from businesses located in counties with lower tax rates.

Reason for making the change: Washington businesses that collect sales tax are losing sales to out-of-state retailers that don't charge sales tax, putting them at a competitive disadvantage.

Retailers needing more information can access the State of Washington Department of Revenue website (http://dor.wa.gov) where an online workshop/tutorial can be viewed.

Sales not affected: wholesale sales, services, sales of motor vehicles (including trailers, semi-trailers, aircraft, watercraft, modular homes, manufactured and mobile homes), deliveries or shipments outside the state, and sales when customers take possession at the selling location. ♦

REDUCE, REUSE, RECYCLE, BUY RECYCLED

To help reduce the amount of garbage produced in our office, we have implemented some sustainable consumption patterns that might be of help to you as you look to reduce, reuse and recycle in both your home and office. The average office waste consists of (by weight) 70% paper (of which 45% is recyclable, 15% is tissue, and 10% is cardboard), 8% food, 8% plastic. Therefore, we have found that making adjustments in paper use and kitchen habits has the biggest up-front benefit.

To reduce paper waste

1) Store single-sided paper for reuse in a Paper Reuse Tray. You can also reuse the lids from the box that your paper reams come in as a tray.
2) Do double-sided printing.
3) Store records electronically (and backup frequently to prevent loss of data) and scan documents to CDs.
4) Store shared files in a library, which also saves time when you update the files.
5) Share subscriptions and circulate journals.
6) Use email to send documents to clients.
7) Use SharePoint to send files to us. (See related article on next page.)
8) Provide a website address for information sharing with clients.
9) Send out annual reports on CDs.
10) Keep database updated to prevent duplication and returned mail.
11) Ask your local office supply vendor to carry recycled products, and then buy them, thus closing the loop in reusing products that you are recycling.

To reduce kitchen waste:

1) Bring reusable dishes, cups and glasses to the office, instead of using paper plates and plastic ware. Bringing lunch to work in reusable containers is likely the greenest (and healthiest) way to eat at work.
2) Use recycled paper towels, napkins and bio-bags (made from cornstarch, not plastic), and reusable cloth bags. Many grocery stores now sell reusable bags made from recycled plastic bottles.
3) Bring your own cup to your favorite coffee spot.
4) Take out food: Don't order more than you can eat, and ask if you can have your food packed into your own reusable containers rather than having them put into one-use disposable containers.
5) Keep a water jug in an Energy Star refrigerator; use glasses or your own reusable water bottle. Avoid one-use water containers.
6) Use cloth towels instead of paper towels.
7) Keep recycling containers in the kitchen/eating areas for easy access.

The City of Seattle has a ReUse Store where King County residents can pick up free products for your home, yard and auto. See their website at: www.seattle.gov/util/services/recycling/Reduce,_Reuse_&_Exchange/ReUseStore/

Other resources:
The Green Seattle Guide:
  www.seattle.gov/environment/cag/index.html
Goods for the Planet (a local Seattle business):
  www.goodsfortheplanet.com
Environmental Protection Agency:
  www.epa.gov ♦

To help reduce future paper use, we'd be happy to send you an electronic version of the TMA Report. Just let us know your preference.

HEALTH CARE COSTS

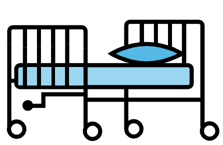
(continued from page 1)

FSAs are, however, subject to a "use it or lose it" provision – so employees should be sure to budget the amount they defer based on the amount they expect to spend on health care expenses during the year.

2. Health Reimbursement Arrangement (HRA)
   Health Reimbursement Arrangements are similar to FSAs in that they, too, are used by employees to pay for eligible out-of-pocket medical expenses that are not covered by insurance. In this case, however, the plan is 100% funded by the employer. HRAs are more flexible than FSAs because the account balances can be carried over from year to year and can be used to pay for more kinds of medical expenses (notably, long-term care expenses and health insurance premiums). Sometimes, HRAs are offered together with high-deductible health plans (those with a deductible of at least $1,100 for individuals or $2,200 for families) to allow the employer to share the cost of the high deductible with the employees.

3. Health Savings Account (HSA)
   Health Savings Accounts are similar to IRAs in that they allow eligible employees under 65 and their family members to contribute funds to an investment account where the assets can grow tax-free. Employers can match or contribute to these accounts as well. There are contribution limits – $2,850 for individuals and $5,650 for families in 2007 (the amount is indexed annually) and the plans must be offered in conjunction with a high-deductible health plan.

   Employees can withdraw money from HSAs to pay for qualified medical expenses without those funds being included in income for tax purposes. The account is owned by the employee, so account balances carry over from year to year or can be bequeathed to a spouse. Funds can also be withdrawn for non-medical expenses, but then are subject to income tax and a 10% penalty. ♦



FILE SHARING WITH SHAREPOINT

We now have Microsoft SharePoint, which allows us to set up a secure location on our server where anyone with the correct access rights can upload or download files. We can even use this approach to share secure copies of your tax returns with your bank if needed.

E-mailing documents to us is like sending them via a postcard, meaning that your information is generally unprotected from improper interception. Sharing files via SharePoint uses a much higher level of security. SharePoint is also much less likely to experience file size limits, as is often the case with e-mail servers.

We are in the process of setting up a separate SharePoint site for each of our clients. If you would like to share files sooner, please contact our internal SharePoint administrator, Michael Davis (at extension 210), for your site address, log-in and password. ♦

NOT FOR PROFIT CORNER

DIRECT CONTRIBUTIONS FROM IRA'S TO CHARITY

Once individuals reach age 70 ½ they are required to begin taking minimum distributions from their IRA's. You can now instead direct IRA distributions up to $100,000 per year to go directly to a charity. It will not be eligible for the charitable deduction, but it will count toward your required minimum distribution and it will not be included in your gross income. ♦

WASHINGTON CHARITIES NOW REQUIRE MORE OVERSIGHT

If you are on the board of a charity in Washington, several changes were passed by the Washington legislature earlier this year. The changes were intended to increase the transparency of Washington nonprofits. One main requirement is that organizations which solicit funds for charitable purposes with more than $1,000,000 in gross revenue must have their Form 990 completed or reviewed by a third party who normally works with these forms. If the organization has more than $3,000,000 in gross revenue, audited financial statements will be required. These requirements are not yet in place but will be once the rules writing process is completed.

Additionally, financial reports filed with the state will also need to be reviewed and accepted by the Board, not just the organization's staff. ♦

E-MAIL SCAM ALERT

The Internal Revenue Service issued a consumer alert in August to warn unsuspecting taxpayers about an e-mail scam that falsely promises $80 for participating in a survey. The e-mail appears to come from the IRS (using the IRS logo and a copyright statement at the bottom of the page) but contains a link to an online "Member Satisfaction Survey." The IRS does not initiate contact with taxpayers through e-mail, and taxpayers should always use caution when receiving unsolicited e-mails. The IRS does not ask for PIN numbers, passwords or similar secret access information for credit cards, bank or other financial accounts.

This particular scam notifies the recipient that he or she has been randomly selected to participate in a survey, and in doing so will receive an $80 credit. The survey asks the typical customer satisfaction survey questions but also requests name, phone numbers and credit card information. It is presumed that once they have the participant's phone number, they will call and try to acquire other financial information, thereby drawing funds from bank accounts, running up charges on credit cards or taking out loans in the taxpayer's name.

If you receive any questionable e-mail that appears to come from the IRS, you should not open any attachments or click on any links contained in the e-mail. Rather, the IRS asks that these scam e-mails be forwarded to the IRS at: phishing@irs.gov.

Other scam e-mails have included notifications of unclaimed refunds and alerts that the "anti-fraud commission" was investigating the recipient's tax returns. Most recently an e-mail scam requesting charitable contributions to victims of the Southern California wildfires (appearing to come from the IRS or the U.S. government) is being broadcast that includes text from a California Assembly speech in an attempt to make it look more legitimate. More information about phishing scams using the IRS name can be located at the real IRS website: www.irs.gov. ♦

TMA GOINGS-ON

Mary Joyce has joined Leadership Tomorrow's board of directors. She is also a 1996 alumni of LT.

We welcome Bill Hood, a CPA with over 45 years of experience to our practice!

Congratulations to our employees who participated in recent local running events. Michael Davis ran the 5K Salmon Days Run in Issaquah, finishing 48th overall and winning first place in his age division in only 20 minutes 58 seconds. Mary Ingersoll participated in the Portland Marathon, walking and jogging through the 26.2 mile (42K) course in 6 hours and 5 minutes. ♦

ALWAYS FEEL FREE TO CONTACT US!

Call or e-mail us with your ideas for future articles on topics of interest or with names of others who may want to receive *TMA Report*. Also note that previous issues of all our newsletters, which include *On The Not-For-Profit Front* and *Small Business Outlook*, are included in the newsletter section on our website.

THE MYERS ASSOCIATES, P.C. STAFF DIRECTORY

Following is a listing of our e-mail addresses and telephone extensions. To reach us, dial (206) 623-6116, wait for the greeting and press the extension of the person you would like to reach.

Name	E-mail	Extension
General office	tma@tma-cpas.com	0
Mary Joyce, CPA	Mary@tma-cpas.com	207
Mark Long, CPA	Mark@tma-cpas.com	204
Bill Hood, CPA	None yet	208
Julie Sandygren, CPA	Julie@tma-cpas.com	203
Michael Davis	Michael@tma-cpas.com	210
Tessa Dul	Tessa@tma-cpas.com	205
Warren Harrison	Warren@tma-cpas.com	202
Mary Ingersoll	maryi@tma-cpas.com	206

If you would like further information on any of the articles in this *TMA Report* or would like to receive this newsletter in electronic format, please contact us.

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INDIVIDUAL TAX RATES FOR 2007

Married filing jointly:

Taxable Income Over:	But not over:	Pay:	+ % on excess:	of the amount over:
$ 0	$ 15,650	$ 0.00	10%	$ 0
15,650	63,700	1,565.00	15%	15,650
63,700	128,500	8,772.50	25%	63,700
128,500	195,850	24,972.50	28%	128,500
195,850	349,700	43,830.50	33%	195,850
349,700	-	94,601.00	35%	349,700

Single:

Taxable Income Over:	But not over:	Pay:	+ % on excess:	of the amount over:
$ 0	$ 7,825	$ 0.00	10%	$ 0
7,825	31,850	782.50	15%	7,825
31,850	77,100	4,386.25	25%	31,850
77,100	160,850	15,698.75	28%	77,100
160,850	349,700	39,148.75	33%	160,850
349,700	-	101,469.25	35%	349,700

Head of household:

Taxable Income Over:	But not over:	Pay:	+ % on excess:	of the amount over:
$ 0	$ 11,200	$ 0.00	10%	$ 0
11,200	42,650	1,120.00	15%	11,200
42,650	110,100	5,837.50	25%	42,650
110,100	178,350	22,700.00	28%	110,100
178,350	349,700	41,810.00	33%	178,350
349,700	-	98,355.50	35%	349,700

Married filing separately:

Taxable Income Over:	But not over:	Pay:	+ % on excess:	of the amount over:
$ 0	$ 7,825	$ 0.00	10%	$ 0
7,825	31,850	782.50	15%	7,825
31,850	64,250	4,386.25	25%	31,850
64,250	97,925	12,486.25	28%	64,250
97,925	174,850	21,915.25	33%	97,925
174,850	-	47,300.50	35%	174,850

2007 TAX INFORMATION FOR INDIVIDUALS

STANDARD DEDUCTION (The amount to deduct unless itemized deductions are greater)

Filing Status	Under 65	65 or Over
Single	$5,350	$6,650
Head of household	$7,850	$9150
(Blind - add $1,300 to amounts above)		

	Both Spouses Under 65	One Spouse 65 or Over	Both Spouses 65 or Over
Married filing jointly/ Qualifying widow (er)	$10,700	$11,750	$12,800
(Blind - add $1,050 to amounts above)			

NOTE: If you can be claimed as a dependent on another person's return, your standard deduction is the greater of (a) $850 or (b) your earned income plus $300, up to the standard deduction amount. To this amount you can add the appropriate additional amount for the elderly or blind.

PERSONAL EXEMPTION

The personal exemption amount is $3,400 for each individual, the individual's spouse, and each dependent. This amount is reduced (but not below $1,133) by 2% for each $2,500 ($1,250 for married filing separately), or fraction thereof, by which adjusted gross income exceeds the following limits for each filing status:

Single	$156,400
Head of household	195,500
Married filing jointly/Qualifying widow (er)	234,600
Married filing separately	117,300

NOTE: You may claim an exemption in 2007 for your qualifying child who is under age 19 or a full-time student and under age 24 at the end of 2007. If you cannot claim the exemption under this rule, the child may claim an exemption on his or her own return.

ANNUAL GIFT AND ESTATE EXCLUSION AMOUNTS

For 2007, the maximum excludable gift is $12,000 per donee. The first $2,000,000 of your estate in 2007 and 2008 will not be subject to federal estate tax ($3,500,000 in 2009). Be aware that there is still Washington state estate tax on the amount above $2,000,000.

STANDARD MILEAGE RATE FOR BUSINESS USE

In 2007, the standard mileage rate for all business use miles of a car is 48.5 cents a mile. In 2008, the standard mileage rate for all business use miles of a car is 50.5 cents a mile. You may be able to take a credit if you place an energy efficient motor vehicle or alternative motor vehicle refueling property in service in 2007.

STANDARD MILEAGE RATE FOR CHARITABLE USE

The standard mileage rate for charitable use miles of a car in 2007 and 2008 is 14 cents a mile.

401(k) or 403(b) PLAN LIMITATION

If you are under 50, the 401(k) plan limitation on elective deferrals is $15,500 for 2007 and 2008. If you are 50 or over, the 401(k) plan limitation on elective deferrals is $20,500 for 2007 and 2008.

SIMPLE PLAN LIMITATION

If you are under 50, the SIMPLE plan limitation on elective deferrals is $10,500 for 2007 and 2008. If you are 50 or over, the SIMPLE plan limitation on elective deferrals is $13,000 for 2007 and 2008.

SOCIAL SECURITY TAX WAGE BASE FOR 2008

The social security tax rate will remain at 7.65% in 2008, but the wage base for the FICA tax portion (6.2%) will increase to $102,000 in 2008, from $97,500 in 2007. An unlimited amount of wages paid remains subject to the Medicare tax portion (1.45%). In other words, employers will withhold and match 7.65% on gross wages up to $102,000 and 1.45% on all wages exceeding $102,000.

Self-employed individuals will pay 15.3% on the first $102,000 of net self-employment income and 2.9% on net self-employment income exceeding $102,000.

INDIVIDUAL TAX RATES

See the chart on the reverse side for calculation of tax.