



**Conner, Hubbard & Company, LLC**  
*Certified Public Accountants*



**Defense Against The IRS, Tax Planning, Pension Planning, Business Planning**

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**Business Standard Mileage Rate for 2009**  
**Decreases; Other Rates Also Decrease**

The IRS has announced that the optional mileage allowance for owned or leased autos (including vans, pickups or panel trucks) is 55¢ per mile for business travel after 2008. That's 3.5¢ down from the 58.5¢ allowance for business mileage in the last six months of 2008. Further, the rate for using a car to get medical care or in connection with a move that qualifies for the moving expense deduction is 24¢ per mile, down 3¢ from the 27¢ per mile allowance for the last half of 2008 (Rev. Proc. 2008-72, 2008-50 IRB, IR 2008-131).

**Trying to Settle-up With the IRS**

If the IRS is after you to collect a tax liability that's beyond your capacity to pay, you should be aware of a technique that may allow you to settle your tax debt for a fraction of its face value. It is called an offer-in-compromise.

Like any creditor, the IRS prefers a partial payment to no payment at all. Thus, the IRS is sometimes willing to settle a tax liability for less than the full amount if (a) the taxpayer is unable to pay the full amount, (b) there is doubt as to how much the tax liability is, (c) collection of the liability would create economic hardship for the taxpayer (such as where the taxpayer is out of work due to health problems, or where sale of assets to pay the tax would leave the taxpayer without enough money to meet basic living expenses); or, (d) compelling public policy or equity considerations exist, and due to the exceptional circumstances the IRS's collection of the full liability would undermine public confidence that the tax laws are being fairly and equitably administered. Exceptional circumstances for this purpose might

include situations where a taxpayer relies on erroneous advice from the IRS, or a medical condition prevents a taxpayer from managing his financial affairs.

The offer-in-compromise process is started by filing a request with the IRS. If the offer is grounded on any reason other than doubt as to how much the tax liability is, financial information must be submitted along with the offer. If it is grounded on doubt as to the liability, the IRS is not permitted to request a financial statement.

You are required to make partial payments to the IRS while the offer is being considered by the IRS. For lump-sum offers (which include single payments as well as payments made in five or fewer installments), taxpayers must make a down payment of 20% of the amount of the offer with the application. For periodic payment offers, the taxpayer must comply with the taxpayer's own proposed payment schedule while the offer is being considered.

Except where the offer is based only on doubt as to liability for a tax, you must agree to comply with all tax law rules on filing returns and paying taxes for five years or until the offered amount is paid, whichever period is longer. If these requirements are not met, the compromise terminates and the IRS can seek collection of the original liability amount.

A \$5,000 penalty applies to any person who submits an application for a compromise (or submits any one of certain other types of specified submissions) if any portion of the submission is either based on a position which the IRS has identified as frivolous, or reflects a desire to delay or impede the administration of federal tax laws. However, the penalty is clearly aimed at those who abuse the process and should not deter

taxpayers with legitimate offers from using the compromise process.

If you believe that you might qualify for the offer-in-compromise program, we recommend that you come see us. We recommend that you do not attempt the process alone.

**401K ROLLOVER TO ROTH IRA**

A substantial planning opportunity exists if you have a desire to convert your 401k account to a ROTH IRA. Suppose that you have a 401k that you have made both before and after tax contributions to. Suppose that 401k totals \$60,000 in value, but \$6,000 of the value is from after tax contributions that you have made to the 401k. Until recently, if you rolled over the \$6,000 to a ROTH IRA, only 10% of the rollover would escape tax (the same ratio of after tax contributions to total value – 6,000/60,000). That is to say that you would pay income tax on \$5,400 of the rollover to the ROTH IRA. The interpretation of the law changed in late 2008 so that now the entire \$6,000 would escape tax if rolled over from the 401k to the ROTH IRA.

You might also want to consider rolling your entire 401k into a ROTH IRA if your 401k is down because of the investments in the stock market. The conversion is probably taxable, but the tax would be based on the decreased value of the 401k. Once the conversion is made and assuming you stay in the stock market and assuming the stock market makes a reasonable recovery, any recovery would go untaxed.

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Referrals are greatly appreciated.*



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In 2009, you must have less than \$100,000 of taxable income to take advantage of the above techniques. After 2009, there is no exclusion to the above techniques based on taxable income. Additionally after 2009, you can contribute to a ROTH IRA regardless of income as long as you have a 401k.

**FLORIDA AND FEDERAL MINIMUM WAGES**

The change of the calendar brings a change in hourly minimum wage. The present Florida and future federal minimum wage amounts are:

- \$7.21 – January 1, 2009 Florida New Minimum Wage
- \$7.25 – July 24, 2009 Federal and Florida New Minimum Wage

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*Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.*

*A bend in the road is not the end of the road ... unless you fail to make the turn.*

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