



DONOVAN SULLIVAN & RYAN

February, 2009

A Newsletter for our Clients and Friends

Some Interesting Facts about Dependents and Exemptions

- **Dependents may be required to file their own tax return.** Even though you are a dependent on someone else's tax return, you may still have to file your own tax return. Whether or not you must file a return depends on several factors, including: the amount of your unearned, earned or gross income, your marital status, any special taxes you owe and any advance Earned Income Credit payments you received and if you are due a refund.
- **Exemptions reduce your taxable income.** There are two types of exemptions: personal exemptions and exemptions for dependents. For each exemption you can deduct \$3,500 on your 2008 tax return. Exemption amounts are reduced for taxpayers whose adjusted gross income is above certain levels, which is determined by your filing status.
- **Dependents may not claim an exemption.** If you claim someone as a dependent, such as your child, that dependent may not claim a personal exemption on their own tax return.
- **Your spouse is never considered your dependent.** On a joint return, you may claim one exemption for yourself and one for your spouse. If you're filing a separate return, you may claim the exemption for your spouse only if they had no gross income, are not filing a joint return and were not the dependent of another taxpayer.
- **Some people cannot be claimed as your dependent.** Generally, you may not claim a married person as a dependent if they file a joint return with their spouse. Also, to claim someone as a dependent, that person must be a U.S. citizen, U.S. resident alien, U.S. national or resident of Canada or Mexico for some part of the year. There is an exception to this rule for certain adopted children.



FROM THE
PARTNERS
PEN....

Dear Clients and Friends,

Your cooperation in providing us with your 2008 tax information as soon as possible is greatly appreciated. If you have not received your 2008 tax organizer, please contact Joyce Foley at our office (jfoley@dsrcpa.com). Please keep us in mind if you know of any friends, relatives or business associates who would benefit from our services. We welcome your referrals.

New Massachusetts regulations affecting pass-through entities (S-Corporations, partnerships/LLC's and trusts) with non-Massachusetts residents as shareholders, members or beneficiaries go into effect for 2009. These regulations require entities to obtain a form PTE-EX from each non-resident shareholder, member or beneficiary. Please contact us for the specific requirements if you think this may apply to your entity.

As always, please feel free to contact me directly with any questions or concerns at mryan@dsrcpa.com.

Sincerely,

Mike Ryan

Beware of Suspicious E-mails

We can't stress enough the danger of opening and/or responding to unsolicited emails claiming to be from the IRS. Several of our clients have received these emails recently. In each case, someone that is fraudulently using the IRS name is trying to trick people into revealing personal and financial information such as Social Security number, bank account or credit card numbers. In one instance, the e-mail says that a refund is due and tries to get the recipient to give out personal information in order to claim it.

All correspondence from the IRS is in writing. The IRS does not send unsolicited emails requesting information about a person's tax account or ask for detailed personal or financial information. Think about it. How would the IRS get your email address? If you receive an e-mail from someone claiming to be the IRS or directing you to an IRS site,

- ◆ Do not reply.
- ◆ Do not open any attachments. Attachments may contain malicious code that will infect your computer.
- ◆ Do not click on any links.
- ◆ Forward the e-mail to a special IRS mailbox, phishing@irs.gov using the special instructions that can be found at irs.gov.

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FEWER AUDITS BY IRS IN 2008

After years of increasing coverage, the number of personal returns audited by the IRS in fiscal year 2008 was 1.01% or one out of every 99 returns vs. 1.03% in 2007. The decline is being attributed to the 2008 tax rebate program which forced the IRS to reassign agents to help answer filers' questions about the rebate.

Those with incomes over \$1 million saw a decrease in audits from 6.84% in 2007 to 5.57% in 2008. The rate also dropped for those whose incomes were less than \$200,000 a year, from 0.97% to 0.95%. For those with incomes between \$200,000 and \$1 million, the rate rose slightly from 2.87% in 2007 to 2.94% in 2008.

S Corps saw a decline in audits from 0.45% in 2007 to 0.40% in 2008. Partnerships were unchanged at 0.42%. Large corporations saw a decline in the examination rate from 16.8% in 2007 to 15.26% in 2008 while small corporations experienced a rise in audits from 0.92% in 2007 to 0.95% in 2008.

Since this year's stimulus package will not call for rebate checks, look for the IRS to get back on track to examining returns in 2009.

IRS ANNOUNCES 2009 STANDARD MILEAGE RATES

Beginning on January 1, 2009, the standard mileage rates for the use of an automobile are:

- 55 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations



2009 Client Pocket Calendar Now Available

We have a handy client pocket calendar available upon request. This calendar is packed with useful information such as:

- A 14 month calendar
- A mileage and expense log
- An area to track charitable contributions, college/school expenses & medical expenses.
- Interesting tax facts
- Important tax days table
- 3 year calendar and Holidays table
- 2010 planning pages

Please contact Joyce Foley at jfoley@dsrca.com to request your pocket calendar.



DONOVAN, SULLIVAN & RYAN
265 WASHINGTON STREET WESTWOOD, MA 02090
TELEPHONE: (781) 329-1690 FAX: (781) 329-3002
WWW.DSRCPCPA.COM

