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# *The* **NOHRE** **REPORT**

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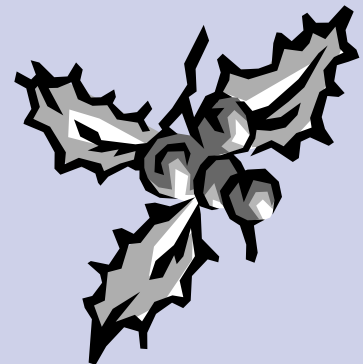


*Warmest greetings and best wishes  
for a wonderful holiday season  
and a Happy New Year*

*Nohre Holiday Office Closings:*

Christmas - Friday, December 24th

New Year's - Friday, December 31st





## CHANGE TO MINNESOTA UNEMPLOYMENT TAX FOR CORPORATE OFFICERS

The Minnesota Department of Employment and Economic Development is sending letters to all employers regarding a recent law change. Effective January 1, 2005 wages paid to corporate officers who own 25% or more of the corporation are no longer subject to Minnesota Unemployment Tax. If you are not a corporation, you are not affected by this law change and you can ignore the letter.

If you are a corporation you need to decide whether or not you want to continue paying Minnesota Unemployment Tax on the wages of your officers. Your total unemployment tax (Federal plus Minnesota) could actually increase as a result of not paying Minnesota Unemployment Tax. Because you will lose the state credit, your Federal unemployment tax rate will increase from .8% to 6.2% on \$7,000 of wages (an increase of \$378).

Each employer needs to carefully analyze their own situation. The 2004 Minnesota Unemployment wage base is \$22,000 and \$23,000 for 2005. You may want to delay your final calculation until you are notified of your 2005 Minnesota Unemployment Tax rate.

Unless you elect coverage for officers who own 25% or more of the corporation, wages they earn in the employment of the corporation cannot be used if they apply for unemployment benefits.

Whether or not you elect to pay Minnesota Unemployment Tax on the wages of your officers you must inform Minnesota of your intent by filing Form DEED-591 no later than December 31, 2004. It must apply to all owners as a class and stays in effect for at least two years. After two years, it may be terminated by filing a new Form DEED-591.

If you have any questions or need help calculating the benefit of making this election, please call Clara Nohre at (715) 833-6741 or 1 (800) 433-1018.



## IRS INCREASES MILEAGE RATES FOR 2005



The IRS standard mileage rate for 2005 has increased from 37-1/2 cents per mile to 40-1/2 cents per mile. The rate for charitable expenses remains the same as in 2004. The rate for medical and moving expenses has increased from 14 cents per mile to 15 cents per mile.

	2005	2004
Business	40-1/2 cents	37-1/2 cents
Charitable	14 cents	14 cents
Medical & Moving	15 cents	14 cents

## HOLIDAY TRIVIA



The practice of exchanging presents at Christmas originated with the Romans. Every December, the Romans celebrated a holiday called the Saturnalia and the people gave each other good-luck presents of fruit, sweets, pastry or gold. When the Christians began to celebrate their own holiday at this time of year, they simply took over the tradition.

The poinsettia originally came from Mexico and was first brought to America in 1829 by the diplomat Joel Poinsett. Today, it is the most popular holiday plant decoration.

Alabama was the first American state to make Christmas an official holiday.

The real St. Nicholas lived in Turkey.

A rose was pictured on the first stamp printed for the Christmas season.

Electric Christmas tree lights were first used in 1895.

In Victorian England, turkeys were popular Christmas dinners. Some of the birds were raised in Norfolk, and then taken to market in London. To get them to London, the turkeys were supplied with boots made of sacking or leather. Boots were not used for geese--instead, their feet were protected with a covering of tar.

In Tchaikovsky's ballet "*The Nutcracker*", the Nutcracker's main enemy is the King of the Mice.

The Irish have a December 26th custom called "feeding the wren" or "hunting the wren", where they carry a wren from door to door to collect money for charity.

In Sweden, a common Christmas decoration is the Julbukk, which is a small figurine of a goat that is made out of straw.

The Tournament of Roses Parade was first held January 1, 1886.

After red and green, silver and gold are the most popular Christmas colors.

Gene Autry first recorded "*Here Comes Santa Claus*".

"*Jingle Bells*" was originally titled "*One Horse Open Sleigh*".

The *Miracle on 34th Street* took place in New York City.

In Lithuania, if Father Christmas appears to the children on Christmas Eve to hand out presents, the child must perform a song or poem before receiving the gift.

All through the Christmas season in old England, "lambswool", a brew of hot ale with roast apples floating in it, could be found in the houses of the well-to-do.

In *It's a Wonderful Life*, Uncle Billy lost \$8,000.

## ***WORKING FAMILIES TAX RELIEF ACT***

On September 23, 2004 Congress passed the "Working Families Tax Relief Act of 2004" totaling \$146 billion over 10 years. This act extends the life of several tax breaks for individuals and businesses created by earlier legislation that have expired or were scheduled to expire at the end of 2004. Some of the provisions of the Act include:

### **Extensions through 2010:**

- The top of the 10% tax rate bracket for single and married filing separately will remain at \$7,000, for married filing jointly it will stay at \$14,000 and head of household it stays at \$10,000. The tops of the 10% tax bracket for all filers will be indexed for inflation.
- Marriage "penalty" relief will continue. The 15% tax bracket for married filing jointly will continue to be twice as wide as the one for single taxpayers. The standard deduction for married filing jointly will remain twice that of single taxpayers.
- The child credit will remain at \$1,000. The child credit is available for a taxpayer whose child is under the age 17 at the end of the tax year and is claimed as a dependent by the taxpayer. The child credit continues to phase-out when adjusted gross income is \$110,000 for married filing joint taxpayers, \$75,000 for single and head of household taxpayers, and \$55,000 for married filing separate taxpayers.

### **Extensions through 2005:**

- The AMT exemption will remain at \$40,250 for single and head of household taxpayers, \$58,000 for married filing joint taxpayers and \$29,000 for married filing separate taxpayers.
- The above-the-line deduction for up to \$250 of qualifying classroom expenses is still available for qualifying elementary and high school educators.
- The electric vehicle credit remains at \$4,000 and the deduction for clean-fuel vehicles remains the same (the maximum deduction for hybrid cars is \$2,000). Phase-out of the maximum electric vehicle credit and maximum clean-fuel deduction will begin in 2006.
- For businesses, some of the tax credits that were extended include the research and development, welfare-to-work and work opportunity credits.

## ***AMERICAN JOBS CREATION ACT PROVISIONS NOW IN EFFECT***

On October 22, 2004, President Bush signed the American Jobs Creation Act of 2004. A couple of provisions with immediate effect are as follows:

### **Deduction of State and Local General Sales Taxes**

For 2004 and 2005, individual taxpayers may elect to deduct as an itemized deduction state and local general sales taxes in lieu of their state and local income taxes.

- Tables are to be prescribed by the Treasury to be used for the deduction, based on the average consumption of taxpayers on a state-by-state basis, taking into account filing status, number of dependents, adjusted gross income, and rates of state and local general sales taxes.
- If taxpayers use the tables created by the Treasury, they can add to the table amounts sales taxes paid with respect to the purchase of motor vehicles, boats and other items specified by the Treasury.
- Alternatively, taxpayers can deduct the total amount of general and state and local sales taxes paid by accumulating receipts showing general sales taxes paid.

As with state and local income taxes, the general sales tax deduction is not allowed for the AMT.

### **Vehicle Contributions to Charity**

Beginning in 2005, charities receiving a vehicle contribution with a value exceeding \$500 are required to provide an acknowledgement receipt to the donor and also to provide the IRS with the information contained in the acknowledgement. The taxpayer must attach the acknowledgement receipt to their return.

- The charity must provide the acknowledgement to the donor within 30 days of the sale of the vehicle or within 30 days of the contribution if the charity retains the vehicle for its use.
- A charity that fails to furnish the acknowledgement or provides a false acknowledgement is subject to a penalty. The penalty is the greater of the highest individual tax rate applied to the sales price stated in the acknowledgement, or the gross proceeds from the sale of the vehicle. If the organization does not sell the vehicle, the penalty is the greater of the highest individual tax rate applied to the claimed value of the vehicle, or \$5,000.

### ***Attention All Peachtree Users!***

Are you interested in savings up to \$70 on your 2005 Peachtree Payroll Tax Table Service? Peachtree will knock \$40 off the purchase price and waive the \$30 shipping fee for our Peachtree clients. If you are interested, please contact your Nohre & Co. Account Manager at (715) 834-2225.

## *Meet the Nohre Staff*



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After her graduation in 1992 from UW-Eau Claire with a BA in Journalism, Shannon began a ten-year career in radio and television advertising sales. As her career advanced, she became Director of Corporate Sales & Marketing with a local sports center, and most recently has joined Nohre & Co., S.C. as an HR – Search Consultant.

#### Areas of Expertise

Personnel Services

#### Organizations

Eau Claire Chamber of Commerce  
Chamber - Young Professionals of Eau Claire  
Chippewa Valley Society of Human Resource Development  
Society of Human Resource Development

Nohre is excited to have Shannon on our team. She is anxious to work with you in your recruiting needs. ***Give Shannon a call today!***

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### **NEWSLETTER POLICY**

**This newsletter is designed to present information on business and tax matters in general terms and is not intended to be used as a basis for specific action without obtaining further advice.**

**Editors:** Debra Stange and Al Mazorol

*Please forward comments to [newsletter@nohre.com](mailto:newsletter@nohre.com)*

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