

**In this issue...**

- IRS Mileage Rates Increase
- Hybrid Cars and Alternative Fuel Vehicles
- Layoffs Yield Turmoil
- Beware of IRS Scams
- Keeping Tax Records
- Consumer Privacy – SSNs
- MN “Shield Law”
- Employer Workplace Posters
- WI & MN Non-Resident Retirement Income Tax
- WI Storms IRS Relief
- WI Unclaimed Property
- Meet the Nohre Staff

# The NOHRE REPORT

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## IRS INCREASES MILEAGE RATES THROUGH DECEMBER 31, 2008

The Internal Revenue Service announced an increase in the optional standard mileage rates for the final six months of 2008. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

The rate will increase to 58.5 cents a mile for all business miles driven from July 1, 2008, through Dec. 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008, as set forth in Rev. Proc. 2007-70.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

### Mileage Rate Changes

	Rates 1/1/08 through 6/30/08	Rates 7/1/08 through 12/31/08
Purpose		
Business	50.5	58.5
Medical/Moving	19	27
Charitable	14	14

## **HYBRID CARS AND ALTERNATIVE FUEL VEHICLES**

### ***Vehicles Purchased or Placed in Service***

The Energy Policy Act of 2005 replaced the clean-fuel burning deduction with a tax credit. A tax credit is subtracted directly from the total amount of federal tax owed, thus reducing or even eliminating the taxpayer's tax obligation. The tax credit for hybrid vehicles applies to vehicles purchased or placed in service on or after January 1, 2006.

The credit is only available to the original purchaser of a new, qualifying vehicle. If a qualifying vehicle is leased to a consumer, the leasing company may claim the credit.

Hybrid vehicles have drive trains powered by both an internal combustion engine and a rechargeable battery. Many currently available hybrid vehicles may qualify for the tax credit.

For additional information on 2008 Model Year Hybrid Vehicles please go to: <http://www.irs.gov/irs/article/0,,id=176409,00.html> Contact your Account Manager with further questions.

## **LAYOFFS CUT COSTS BUT YIELD TURMOIL**

It's a painful consequence of a shaky economy, and one that causes financial and emotional turmoil for workers and their families. Downsizing (layoffs) affected nearly 165,697 workers in several industries in June 2008, according to the U.S. Bureau of Labor Statistics. Some of those layoffs might have been an unavoidable result of the slowdown (or recession, depending on who you talk to) many economists claim started in late 2007. However, there are often ways to cut back on spending without having to hand out pink slips, say employment experts. Some of these involve asking employees to be flexible with regard to hours and job responsibilities, while others are more long range and preventative in nature, such as business forecasting and efficiency monitoring. When layoffs are unavoidable, it's critical to handle them in an honest, legal and ethical manner.

The national unemployment rate was 5.5 percent in June, seasonally adjusted, unchanged from the prior month and up from 4.6 percent a year earlier.  
(Source: *Arkansas Business and* [www.bls.gov](http://www.bls.gov))

## **BEWARE OF SCAMSTERS POSING AS THE IRS**

Over 30,000 fraudulent e-mails are reported to the IRS each day! With that volume of traffic, no doubt you will or have received one to your desktop. Scammers are attempting to gain access to consumers' financial information in order to steal their identity and assets.

Currently there are several variations of refund-related bogus e-mails claiming to come from the IRS:

- Telling recipient that he or she is eligible for a tax refund for a specific amount and provides an e-mail link to access a refund claim form. The form asks for personal information that can be used to access the recipient's bank or credit card account.
- E-mail about the economic stimulus refund which tells recipient to click on a link to fill out a form for direct deposit into their bank account.
- Solicitation from the IRS and the Taxpayer Advocate Service stating the recipient is eligible for a tax refund by clicking a link that leads to a fake IRS website.
- E-mail claiming to come from the IRS which advises taxpayers they can receive \$80 by filling out an online customer satisfaction survey. Survey requests the name, phone number and credit card information of the participant.

If you do receive one of these attempts to steal your identity:

- Forward it or any questionable e-mail claiming to come from the IRS to [phishing@irs.gov](mailto:phishing@irs.gov).
- Report questionable telephone calls (yes, they may strike that way too!) to the IRS via e-mail to [phishing@irs.gov](mailto:phishing@irs.gov).
- Do not click on any link in these e-mails or open an attachment.

Remember, the IRS does not correspond via e-mail and does not verify account information.

**Banking Tips...** Always use a dark blue or black ballpoint pen to write checks. Gel-pens, colored ink, highlighters and pencils do not image correctly. Checks written in these inks could result in a picture that would be ineffective as a tool for evidence of payment.

## **KEEPING GOOD TAX RECORDS**

In a tax emergency, would you be ready? Well-organized records not only help prepare your tax return, but they also help you answer questions if your return is selected for examination or to prepare a response if you are billed for additional tax.

Fortunately, you don't have to keep all tax records around forever. Normally, tax records should be kept for three years, but some documents — such as records relating to a home purchase or sale, stock transactions, IRA and business or rental property — should be kept longer.

If you are an employer, you must keep all your employment tax records for at least 4 years after the tax becomes due or is paid, whichever is later.

If you are in business, you must clearly and accurately show your gross income and expenses. The records should substantiate both your income and expenses.

If you have additional questions on 'good record keeping' please contact your *Account Manager*.

## **CONSUMER PRIVACY - SSNs**

A number of federal laws have been enacted to restrict the use and disclosure of consumers' personal information, including SSNs. In addition, many states have enacted their own legislation to restrict the use and display of SSNs on items such as identification cards, and require entities to notify customers of unauthorized access or use of their personal information.

In the last year, Congress also has introduced consumer privacy legislation similar to enacted state legislation, which in some cases includes SSN restrictions. To date, enacted federal and state laws provide various ways to protect individual's personal information and prevent identity theft. However, while there is some consistency in the various laws protecting consumer personal information, no single law comprehensively regulates SSN use and protections, and no agency has primary jurisdiction over consumer protections and identity theft.

## **NEW LAW REQUIRES BUSINESSES AND EMPLOYERS TO PROTECT SOCIAL SECURITY NUMBERS**

Minnesota has a new law, the Social Security Number Shield Law ("Shield Law") that requires Minnesota businesses and employers to take steps to protect against disclosure of an individual's social security number. Fifteen other states have already enacted similar legislation with the objective to protect employee social security numbers. Employers are required to restrict access to social security numbers to ensure that the employees who require the numbers to perform their job duties are the only employees who have access to the information.

Governor Pawlenty signed the SSN Shield Law on May 24, 2007 to become effective July 1, 2007. However, due to some adjustments, the legislature extended the effective date of the SSN Shield Law to July 1, 2008.

Additional limitations prohibit private employers from:

- intentionally communicating or making available to the general public a person's social security number;
- printing a person's social security number on any card required to access services or products provided by the employer;
- requiring a person to transmit his/her social security number over the Internet unless the connection is secure or the number is encrypted, except as provided by federal law;
- requiring a person to use his/her social security number to access an Internet website, unless a password or unique personal identification number (PIN) or other authentication device is also required;
- printing a person's social security number on any materials that are mailed to them, unless state or federal law requires the social security number to be on the mailed document;
- assigning or using a number as the primary account identifier that is identical to or incorporates a person's complete social security number; or
- selling the social security numbers obtained from persons in the course of business.

Despite these prohibitions, SS numbers can still be:

- included in applications and forms sent by mail, including documents sent as part of an employment application or benefit enrollment process.
- used to establish, amend or terminate an account, contract or policy.
- used to confirm the accuracy of the social security number, as long as the information is not printed on the outside of the mailing.
- employers may continue to use portions (but not all) of an individual's social security number as employee identification numbers.

The full text of the law can be read at: <http://www.leg.state.mn.us/leg/statutes.asp>

## REQUIRED WORKPLACE POSTERS

On January 28, 2008, President Bush signed into law an extension of family leave time for members of the U.S. armed forces. This regulation is governed as part of FMLA and is part of the *Defense Authorization Act for Fiscal Year 2008*. Employers covered by FMLA must post the new notice if they have 50 or more employees.

Also, the next Federal minimum wage increase is July 24, 2008 and employers subject to the Fair Labor Standards Act (wage-hour laws) are required to post a notice explaining the Act including the new Federal Minimum Wage of \$6.55 per hour.

Posters may be purchased from several vendors or simply go on-line and print (*free of charge*) the Minimum Wage Poster @ <http://www.dol.gov/esa/whd/regs/compliance/posters/minwagebwp.pdf>

FMLA Poster Insert for Military Family Leave Amendments @ <http://www.dol.gov/esa/whd/fmla/NDAAAmndmnts.pdf>

## NON-RESIDENT WISCONSIN RETIREMENT INCOME

If you worked in Wisconsin but are now a resident of another state, payments you receive from a *nonqualified* pension or annuity or a *nonqualified* deferred compensation plan are taxable by Wisconsin unless:

- 1) the distribution is paid out in annuity form over your life expectancy or for a period of not less than 10 years, or
- 2) the distribution is paid in either an annuity form or lump-sum from arrangements known commonly as "mirror plans."

Payments from a *qualified* plan are not taxable for Wisconsin when received by a nonresident, even though the payments may be attributable to personal services performed in Wisconsin.

Additional information regarding Nonresidents of Wisconsin who are considering moving to Wisconsin after retirement can be found at: <http://www.revenue.wi.gov/pubs/pb106.pdf>.

## NON-RESIDENT MINNESOTA RETIREMENT INCOME MAY BE TAXED

Effective January 1, 2008 Minnesota retirement income received by non-residents may be subject to Minnesota tax. Under prior law, an individual was not subject to Minnesota income tax on deferred retirement compensation if the payment occurred in a year when the individual was a non-Minnesota resident. However, recent changes to Minnesota tax law eliminated a non-resident tax exemption for certain types of retirement plan distributions related to services performed in Minnesota.

Examples of payments affected by this change include:

- Payments of nonqualified deferred compensation treated as wages for federal withholding tax purposes;
- Federal wage income from stock options granted to the recipient for work performed in Minnesota as a resident, but exercised after the individual moved to another state; and
- Payments made to former employees under contracts providing for payments to continue for some time period after the individual has completed the work required under the contract.

The following are not affected by the law change:

- Payments from qualified deferred compensation plans (including regular defined benefit pensions, 401(k) plans, IRAs and 457 plans);
- Payments under a nonqualified plan if the payment is part of a series of substantially equal payments made not less frequently than annually for a period of not less than ten years; and
- Payments received from pure excess benefit plans.

Effective with payments made on or after April 1, 2008, employers must withhold Minnesota income tax on payments subject to Minnesota tax. Contact your Account Manager with further questions.

The bark of the redwood tree is fireproof. Fires in redwood forests take place inside the trees.

In one day a full-grown oak tree expels 7 tons of water through its leaves.

Bamboo is not a tree. It is a wood grass.

## **WISCONSIN STORMS**

### ***Flood and Tornado Victims May Qualify for IRS Disaster Relief***

Victims of recent severe storms, tornadoes and flooding in Wisconsin may qualify for tax relief from the Internal Revenue Service.

Following severe storms and tornadoes on June 5, the federal government declared Adams, Calumet, Crawford, Columbia, Dane, Dodge, Fond du Lac, Grant, Green, Green Lake, Iowa, Jefferson, Juneau, Kenosha, La Crosse, Manitowoc, Marquette, Milwaukee, Monroe, Ozaukee, Racine, Richland, Rock, Sauk, Sheboygan, Vernon, Walworth, Washington, Waukesha and Winnebago counties a presidential disaster area qualifying for individual assistance.

As a result, the IRS is postponing until Aug. 29 certain deadlines for taxpayers who reside or have a business in the disaster area. The postponement applies to return filing, tax payment and certain other time-sensitive acts otherwise due between June 5 and Aug. 29.

In addition, the IRS will waive the failure to deposit penalties for employment and excise deposits due on or after June 5 and on or before June 20, as long as the deposits were made by June 20.

If an affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the telephone number on the notice to have the IRS abate any interest and any late filing or late payment penalties that would otherwise apply. Penalties or interest will be abated only for taxpayers who have an original or extended filing, payment or deposit due date, including an extended filing or payment due date, from June 5 to Aug 29.

IRS computer systems automatically identify taxpayers located in the covered disaster area and apply automatic filing and payment relief. Affected taxpayers who reside or have a business located outside the covered disaster area must call the IRS disaster hotline at 1-866-562-5227 to request tax relief.

For further information on this please contact your Account Manager.

## **WISCONSIN UNCLAIMED PROPERTY**

***What is unclaimed property?*** Generally, it is any financial asset that has had no activity by its owner for a period of 5 years or more. This includes savings accounts, checking accounts, un-cashed dividends, stocks, customer deposits or overpayments, certificates of deposit, credit balances, refunds, matured life insurance policies and un-cashed death benefit checks. The law also provides that utility deposits, unclaimed wages and property resulting from business dissolutions be reported as unclaimed property after one year of inactivity. The Unclaimed Property Act does NOT cover REAL ESTATE.

***What does the state do with this money?*** The funds are deposited in the Common School Trust Fund and used for low-interest loans to Wisconsin local governments. Interest earned on these loans helps to support local public school libraries. However, the State Treasurer always retains sufficient funds to pay claims.

***How much money is involved?*** Each year, millions of dollars in bank accounts, stock certificates, checks, etc., are turned over to the State Treasurer because the owners can not be located.

***Is anything involved besides money?*** YES. Safe deposit box contents as well as intangible financial assets, such as stock certificates and bonds are reported to the State Treasury.

***How do I make sure all unclaimed property is reported?*** The State Treasurer has made Unclaimed Property reporting forms and instructions readily available online and by mass mailings with the hopes that all Wisconsin businesses will voluntarily comply and prepare reports every year. How to file a claim: Only reported owners or their legal heirs may file a claim. All claims must have supporting documentation or proof that the claimant is the rightful owner. Visit the Unclaimed Property Database search feature at the Office of State Treasurer website <http://www.ost.state.wi.us/home/UCPWeb/ucpsearch.aspx> and follow instructions for claiming properties, or send an e-mail message [unclaim@ost.state.wi.us](mailto:unclaim@ost.state.wi.us) to request a claim form.

For further information on this please contact your Account Manager.

## Meet the Nohre Staff



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Dirk began his professional career in 1979. He has over 25 years experience in the areas of accounting, taxation, appraisals and valuations, mergers and acquisitions, data processing and financial management. From 1979 to 1992 he was the financial manager for several owner-managed businesses in several industries; including wholesale food distribution and insurance, and for a non-profit concern. In 1992 he formed Nohre & Co., S.C., which provides accounting, taxation, financial management and merger and acquisition services to closely-held businesses and their owners.

Dirk received his bachelor degree in business from the University of North Dakota in 1979. He is a certified public accountant (CPA), and has also earned the Chartered Property and Casualty Underwriter (CPCU) and Accredited in Business Valuation (ABV) designations.

#### Areas of Expertise

Appraisals and Valuations  
Buy/Sell Agreements  
Planning and Budgeting  
Automation Consulting  
Income and Estate Tax Planning

Perpetuation Planning  
Value Enhancement  
Operational Analysis  
Financial Analysis  
Compensation Planning

#### Organizations

American Institute of CPAs (AICPA)  
Western WI Independent Insurance Agents (WWIIA)  
Eau Claire Chamber of Commerce

WI Institute of CPAs (WICPA)  
Chippewa Valley Boy Scouts of America  
St. Olaf's Church

#### Hobbies

Golf, guitar, piano

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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.**

**Editor:** Deb Stange

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

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