



TAX RELATED INFORMATION FOR CERTAIN 2007 ADJUSTMENTS AND 2008 TRANSACTIONS

Federal 1099 Informational Forms must be completed by January 31, 2008 for certain payments of \$600 or more made during 2007 to individuals or unincorporated businesses and all legal fees paid, whether the law practice is incorporated or not. Backup withholding for payees that provide no taxpayer identification number or an incorrect number is 28.0%.

Employers continue to be required to report to Pennsylvania all employees hired within 20 days of the hiring date. The wage rates, wage limits, tax rates and withholding rates effective for the first pay in the year 2008 are as follows:

Minimum Wage:	All Employees	\$5.85 Per Hour - Federal
	More than 11 Employees	\$7.15 Per Hour - Pennsylvania
	Less than 11 employees Until July 1	\$6.65 Per Hour - Pennsylvania
Withholding Rates:		
Social Security Tax		6.20% (.0620)
Medicare Tax		1.45% (.0145)
Pennsylvania State Income Tax		3.07% (.0307)
PA State Unemployment Insurance		.06% (.0006)
Federal Withholding on Employee Bonuses and Supplemental Pays if Aggregation Method Not Used		25.00% (.2500)
Employer Tax Rate:		
Social Security Tax		6.20% (.0620)
Medicare Tax		1.45% (.0145)
Federal Unemployment Tax		.80% (.0080)
Taxable Wages:		
<u>Employee:</u>		
Social Security Tax		\$102,000
Medicare Tax		No Limit
<u>Employer:</u>		
Social Security Tax		\$102,000
Medicare Tax		No Limit
Pennsylvania Unemployment Tax		\$ 8,000
Federal Unemployment Tax		\$ 7,000

When making final adjustments to retirement plan contributions, remember the maximum allowable wage reduction contribution to a 401(k) plan will be \$15,000 for 2007, except that employees age 50 or over may be eligible to make an additional contribution of up to \$5,000 in 2007. The maximum eligible compensation for qualified plans is \$225,000 and the maximum contribution to defined contribution plans is \$45,000 per participant for year 2007.

The Federal standard mileage rate for 2007 is \$.485 per mile and for 2008 is \$.505

Holders of unclaimed property (uncleared bank checks, unredeemed gift certificates, and accounts receivable credit balances) which meet specific age requirements are required to file an Annual Abandoned and Unclaimed Property Report to Pennsylvania by April 15, 2008.

Section 179 allows a \$125,000 maximum deduction in 2007 and \$128,000 in 2008 for expense of newly acquired tangible personal property for business use, with a deduction phase-out whenever business income exceeds \$500,000 in 2007 or \$510,000 in 2008.

When concluding 2007, be sure to update your company's corporate minutes. If we can help you in this regard, please call.

There are links to other federal and state tax law changes on our Website at www.royandassociates.net.