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Avoiding Underpayment Penalties

Have you heard of the tax term *safe harbor*? It's not a place to store your boat, but a term used by the IRS meaning "penalty proof". Let's take a moment to review the rules for keeping penalty proof from underpayment tax penalties.

You are required to pay your taxes throughout the year. This is to prevent you from waiting until April 15th to pay your taxes. The IRS requires taxpayers to pay a specific amount of tax during the year dependent upon your earnings level. To reach the safe harbor, you must pay in either --

- 100% of last year's tax liability (110% if your income exceeded \$150,000) or
- 90% of this year's tax liability

If you meet the above pay-in requirements, you can owe thousands of dollars yet pay no underpayment penalties.

There are two ways to pay-in the required tax amounts. Payments can be made either through W-2 withholdings or through quarterly estimated payments. The W-2 withholding strategy was covered in our December 2007 issue and quarterly estimated payments will be explained more thoroughly in our February 2008 issue.

As this is as much an art as a science, we are more than happy to assist you in computing your safe harbor amount and monitoring your situation.

Kramer Weisman & Associates, LLP

Monthly Tax Tip



The standard mileage rates for 2008 currently are:

- \$.505 for business
- \$.14 for charitable
- \$.19 for medical
- \$.19 for job-related moves

QuickBooks Tip



By Suzanne Stabila Duffy, Certified QuickBooks ProAdvisor®

If you use QuickBooks for computing and filing your own payroll, **now** is the time to update your Florida Unemployment rate. The state has sent out notifications with your new 2008 rate; you must input that rate into QuickBooks prior to running your first payroll in order for the liability and expense to be computed properly.

Please call us if you need any assistance.