



MARTIN WERBELOW LP
CERTIFIED PUBLIC ACCOUNTANTS
300 NORTH LAKE AVENUE, SUITE 930
PASADENA, CALIFORNIA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

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Tax Freedom Day – Every year, taxpayer’s payment of their debt to society (and the IRS) is marked by a day known as “Tax Freedom Day.” This is the day where Americans have worked enough days to pay off the federal and state income taxes they will owe. The Tax Foundation determines this date by converting the nation’s total tax collections into days worked. For 2007, the day is April 30th and is when workers across America start “taking home” their earnings. It is estimated that US taxpayers will work 79 days to pay their federal taxes and 41 additional days to pay state and local taxes. The annual date fluctuates based on economic conditions and tax rates and recently has ranged from as early as April 18th in 2003 and 2004 to as late as May 5th in 2000. The Tax Foundation has a full report available on their website at www.taxfoundation.org and includes state-by-state information which shows Oklahoma with the earliest day at April 12th and Connecticut the latest at May 20th. You can now enjoy the rest of 2007 knowing that you’ve begun working for yourself!

The Gambit of Misclassifying Workers – The House Ways and Means Committee held hearings in May to hear complaints about misclassification of workers and the impact on small businesses. In 2001, an Illinois state study found that 14% of employers had misclassified employees as independent contractors. Four years later, that number increased to 20% or about 64,000 employers in Illinois alone! By misclassifying workers, employers can save as much as 30% in payroll costs by passing the burden of paying employers share of employment taxes (FICA, Medicare, and unemployment contributions) to the workers. Unfortunately, the types of workers that are misclassified usually involve low-level workers who are unaware of the labor-law protections that they are entitled to. The misclassification also normally leaves the rule-following smaller businesses at a competitive disadvantage. Construction workers, which encompass 22% of all independent contractors in the U.S. are frequently preyed upon because they do not fully understand the risks. Missed benefits include items such as eventual social security payouts, Medicare benefits, as well as a lack of health insurance should they get injured on the job. Currently, the IRS provides a safe harbor for those companies found to have misclassified workers which provides that companies do not have to adjust their hiring and classification process as long as they have a reasonable and consistent basis for classifying the workers (although they may still be subject to a \$50 fine per misclassification). However, many labor advocates see this as just a loophole which does nothing to correct the problems of the past and hope that Congress takes serious consideration in amending this provision to properly address the problem and find a feasible solution going forward. We will keep a close eye on this as more light is shed on this important issue.

Congress Introduces Bicycle Commuters Act – As the country has been working hard on energy conservation and reducing our dependence on foreign oil, Congress has looked at other alternatives including alternative forms of transportation. There has been a growing community of cyclists across the US that are using their bikes more and more, not just to go for a ride on the weekend, but to commute to work during the week. According to recent Census reports cited by the Commuters Act, more than 500,000 people in the United States commute to work by bicycle, getting healthy, avoiding traffic, saving energy as well as avoiding the increasing prices at the gas pump. In March,

Senator Wyden introduced Senate Bill 858, the Bicycle Commuters Benefit Act which would provide fringe benefits to a company's bicycle-riding employees. Under the Bill, the benefit would range from \$40 to \$110 per month as a non-taxable benefit to cover the costs of riding their bikes. The Bill is supported by many local and national bicycling organizations such as Bike Belong, The Bicycle Transportation Alliance, The League of American Bicyclists, and The Washington Area Bicycling Association, among others. With the cost and creation of miles and miles of bike trails all across America, Senator Wyden sees this as a way of providing extra incentives to our bicycle commuters and preserving our environment.

Taxing Municipal Bonds – The U.S. Supreme Court has recently decided to review a Kentucky Court of Appeals decision that held a Kentucky statute unconstitutional because it taxed interest earned on bonds issued by other states while exempting interest earned on Kentucky bonds. The premise of the case ruled by Kentucky Court of Appeals was that the preferential tax treatment imposed a barrier against interstate commerce that violated the Constitution's commerce clause. California tax rules, along with those of 37 other states, are similar to Kentucky law and depending on the outcome of the Supreme Court review, California taxpayer's could become eligible for refunds of tax paid on interest from out-of-state municipal bonds. This ruling could have a significant impact across the United States as during a five year period from 2002 to 2006, State and local governments issued more than \$350 billion worth of bonds per year! We will definitely monitor this and update you as the case progresses.