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CREATING and FUNDING your SEP – Simplified Employee Pension plan What September 15th and October 15th mean, respectively

Contributed by Edwin Natic, CPA

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If you are self-employed or own your own business and filed an extension (IRS forms 4868(personal) or 7004(business)) to extend the amount of time you have to file your tax returns for 2008, you would have received an automatic six month extension. Business tax returns are due every year by March 15th and individual (personal) tax returns are due, as we all know, by April 15th. This means, that the automatic six month extension gives you until September 15th (for business) or October 15th (for personal) to file your tax returns.

But unlike an IRA, which **must** be funded by April 15th, you have until your extension date to create and fund a SEP (Simplified Employee Pension) plan and **still** take a deduction on your 2008 income tax return (contact your financial advisor, or call us to setup a SEP plan for you).

If you are operating your business in a corporate setting (regular C Corp (IRS form 1120), or an S Corp (IRS form 1120S)), or a partnership (IRS form 1065), then you must fund your SEP by September 15th. If you are operating your business in an LLC as a disregarded entity, or sole proprietorship, then you have until October 15th to fund your SEP. Please note that an LLC can elect with the IRS how it will be treated for income tax purposes, which impacts the due dates of the returns as well as the extensions. Look for future articles on this topic (LLCs) explaining how this works and how you can benefit from these elections.

If this is all news to you, right about now you're probably excited you can take a late deduction on your 2008 income tax returns, while dismayed at the fact that the stock markets have fallen precipitously, causing you to wonder where will I put this retirement investment. While there are many schools of thought (stocks are at a bargain price right now; forget Mutual Funds, go with EFT's; don't do CD's go instead with corporate Bonds, etc.), preparing for and starting to fund a retirement account can never be too soon. Even if for now you're satisfied with just parking it in a money market account, having set aside something, while saving tax dollars that would otherwise have gone to the government(s) (federal and state), is certainly a wise choice. Since life is all about decision making, then making wise ones will produce desired results so don't hesitate and go for it! Until next time, dream big, stay safe, and **always**, be kind



Edwin