

JULY 2008

U.S. LEADS THE WORLD IN HIGH CORPORATE TAXES

The tax rates affixed to U.S. businesses are quite high compared with our major economic competitors. Currently, the average combined federal and state corporate tax rate in the U.S. is 39.3 percent.

✎ 24 U.S. states have a combined corporate tax rate higher than top-ranked Japan.

✎ 32 states have a combined corporate tax rate higher than third-ranked Germany.

✎ 46 states have a combined corporate tax rate higher than fourth-ranked Canada.

✎ All 50 states have a combined corporate tax rate higher than fifth-ranked France.

The Ways and Means Chairman, Charles Rangel, proposed cutting the federal corporate tax rates last year from 35 percent to 30.5 percent. It was argued that this was not sufficient enough to meaningfully improve the United States competitiveness. More recently, Sen. McCain and Congressman Cantor released proposals to cut the corporate rate to 25 percent. Although these lower rates would improve the U.S.'s international ranking, the high corporate tax rates imposed by many states diminishes the impact. To effectively modify the U.S. corporate tax system, corporate tax rates will have to be reduced both in Washington and at state level.

DON'T BE LATER THAN SEVEN BUSINESS DAYS!

The Department of Labor (DOL) has proposed a safe harbor deposit period for small plans. In an attempt to provide some clarity in regards to deposits of participant contributions and loan repayments to a 401(k) Plan, the DOL proposed – DON'T BE LATER THAN SEVEN BUSINESS DAYS!

As a sponsor of a "small plan" (100 participants or less), the general rule states that deposits must be made to the plan on the "earliest date on which they can reasonably be segregated from the employer's general assets". The DOL extends this basic rule that clarifies the deposit of employee 401(k) deferrals and loan repayments must be made no later than the seventh business day following the payroll check date.

Note from the Whalen Payroll Department

As you know, a competitive benefit package is required to attract and retain the strongest employees. A Cafeteria Plan is one such employee benefit program that saves both you and your employees' payroll tax dollars.

Designed to take advantage of Section 125 of the Internal Revenue Code, a Cafeteria Plan allows employees to pay certain qualified expenses on a pre-tax basis. By placing insurance premiums, medical reimbursements, child care, and employee contributions to Health Savings Accounts under this umbrella, you can maximize your employees' health care dollars. Funds set aside in a Cafeteria plan are not subject to Federal, State, Local or Social Security (FICA) taxes. On average, employees save from \$.25 to \$.49 for EVERY dollar they contribute through this plan.

Employers experience tax savings from reduced FICA, FUTA, SUTA, and Workers' Compensation taxes on participating employees.

Implementing the right benefit plan puts you in control over how much you are spending on benefits and assures that the design of the plan fits your needs and the needs of your employees.

We are available to consult with you regarding a variety of benefit options and will be sending out information in the upcoming weeks to assist you in your benefit plan decisions. As always, if you have questions, please give us a call.

FIRM HAPPENINGS - Congratulations to Zita Hunt, who celebrates her 14 year anniversary with Whalen & Company this month!

JULY 4th HOLIDAY - In observance of Independence Day, our office will be closed on Friday, July 4th. *Have a safe and happy holiday!*