December, 2006

To Our Business Clients:

We at Tonneson & Company CPAs PC believe that knowledge is your greatest asset. In that spirit, this letter provides you with basic guidelines for compliance with federal and state rules for taxation and reporting of wages, benefits and other payments you make in the course of your business. It contains 2006 and 2007 payroll tax, unemployment wage and rate limitations, taxation of employee benefits, informational return filing requirements and related information. A copy of this letter can also be found at our web site, www.tonneson.com. You will find other helpful tools on our website. We provide financial calculators that will allow you to make informed decisions, a tax calendar of important tax dates and links to the various state taxing authorities.

Please note that this letter is designed to provide an overview of only those tax rules that we believe to be of interest to our business clients. Tax rules are very complex and can be subject to interpretation. There are many special rules and exceptions that have not been addressed in this letter. Please do not hesitate to contact us to discuss how these exceptions may apply to your particular situation.

Official federal and state forms, publications, and other information can be obtained from the agencies' website. A list of the web addresses can be accessed via links established at our website.

The following tables highlight Retirement Plan and IRA Limits, Social Security and Self-Employment Tax Information, and Automobile Limitations.

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Table 1 – Retirement Plan and IRA Limits

Description	Code Section	2006	2007
Maximum benefit for defined benefit plan	415(b)(1)(A)	$175,000	$180,000
Maximum contribution for defined contribution plan	415(c)(1)(A)	$44,000	$45,000
Maximum contribution for IRAs	219(b)(5)(A)	$4,000	$4,000
Catch-up contributions for age 50 or older for IRAs	219(b)(5)(B)	$1,000	$1,000
Exclusion for elective deferral limit	402(g)(1)	$15,000	$15,500
Elective deferral catch-up contributions for age 50 or older	414(v)(2)(B)(i)	$5,000	$5,000
Maximum annual tax sheltered annuity deferral limit	402(g)(3)	$15,000	$15,500
Highly compensated employee limit	414(q)(1)(B)	$100,000	$100,000
Annual compensation limit	401(a)(17)	$220,000	$225,000
Grandfather rule for Government plans	401(a)(17)	$325,000	$335,000
Minimum compensation for SEPs	408(k)(2)(C)	$450	$500
Compensation limit for SEPs	408(k)(3)(C)	$220,000	$225,000
SIMPLE plan deferral limit	408(p)(2)(E)	$10,000	$10,500
Catch-up contributions for age 50 or older for SIMPLE plans	414(v)(2)(b)(ii)	$2,500	$2,500
Deferral limits for deferred compensation plans of state and local governments and tax exempt organizations	457(e)(15)	$15,000	$15,500

After 2005, a code Sec 401(k) Plan can include a "qualified Roth Contribution Program" (also called "Roth 401(k)"), which allows participants to elect to have all or part of their elective deferrals treated as contributions to a Roth IRA. Salary deferrals that a participant elects to make to a Roth 401(k) must be accounted for separately from the participant deferrals to a traditional 401(k) Plan.

Table 2 – Social Security and Self-Employment Tax Information

Description	2006	2007
Social Security Component		
Maximum Earnings	$94,200	$97,500
OASDI Tax Rate	6.2%	6.2%
Self-employment Tax Rate	12.4%	12.4%
Medicare Component		
Maximum Earnings	Unlimited	Unlimited
Medicare Tax Rate	1.45%	1.45%
Self-employment Tax Rate	2.9%	2.9%
Self-Employed Health Insurance Deduction	100%	100%
Earnings Ceiling for Social Security		
Before Full Retirement Age (65 yrs 8 mos 2006, 65 yrs 10 mos 2007)	$12,480	$12,960
After Full Retirement Age (65 yrs 8 mos 2006, 65 yrs 10 mos 2007)	Unlimited	Unlimited

Table 3 – Automobile Limitations

Description	2006	2007
Automobile Standard Mileage Allowances		
Business	44.5¢	48.5¢
Charity - General	14¢	14¢
Charity - Hurricane Katrina Deduction	32¢	0
Charity - Hurricane Katrina Reimbursement	44.5¢	0
Medical/Moving	18¢	20¢
Luxury (Non-electric) Auto Depreciation Limits- Autos		
First Year	$2,960	*
Second Year	$4,800	*
Third Year	$2,850	*
Fourth Year and Thereafter	$1,775	*
Luxury (Non-Electric) Auto Depreciation Limits - Trucks/Vans		
First Year	$3,260	*
Second Year	$5,200	*
Third Year	$3,150	*
Fourth Year	$1,875	*

* - At the time of publication of this letter, the IRS has not updated the Luxury Auto Limits for 2007. Based on past experience we expect to have this information available by March 2007.

The luxury car limits are based on 100% business use. If business use is less than 100%, the limits must be reduced to reflect the actual business use percentage. Also, the term “luxury” is not defined in the Internal Revenue Code and there is no rule expressed in terms of “luxury. Thus, the depreciation limits as stated above apply to all business autos, with the following exceptions:

Vehicles with gross vehicle weight ratings (GVWRs) of more than 6,000 pounds do not constitute a passenger vehicle for purposes of being limited to the luxury automobile depreciation limits. We advise that you examine the manufacturer’s sticker or the sticker on the inside of the driver’s side car door for the vehicle’s exact GVWR. The first year depreciation limit on these vehicles is $25,000.

The trucks and vans that are “not qualified” for personal use are not subject to annual depreciation limits. “Not qualified” for personal use means the vehicle is designed in such a way that it is not likely to be used for more than a de minimis amount for personal purposes.

PERSONAL USE OF COMPANY OWNED/LEASED VEHICLES

Whether your company supplies business autos to employees as "perks" or as necessary tools to help get their work done, their personal use of the auto has tax implications. An employee's personal use of a company auto generally must be treated as a non-cash fringe benefit that is also subject to social security taxes. Fortunately, the tax rules give you some flexibility in valuing personal usage of a company car. You can choose from among four valuation methods:

- The general fair market value method, which is based on what a person would pay locally to lease a comparable auto for a period of time comparable to the period of time the employee has use of the car;

- The lease value method, which assigns an IRS-determined annual lease value to the auto depending on its value when first provided for the employee's personal use;

- The mileage rate method, which values each personal-use mile at the standard business mileage rate designated by the IRS; or

- The $1.50 per one-way commute method.

The first two methods can be used for any auto and any employee. The mileage-rate method can be used only if the car's fair market value doesn't exceed an annually adjusted figure ($15,000 for 2006, amount not yet available for 2007), and is regularly used in your business, or is driven at least 10,000 miles during the year and used primarily by employees. The $1.50 commute method applies only to an auto used in your company's business, and only if the employee isn't highly paid, a company officer or director, or a more than 1% company owner.

Which of the first three methods results in the lowest personal use valuation and the lowest tax bill for employees? The answer will depend on factors such as the number of annual personal miles, value of the car, and the ratio of personal miles to total miles. For your convenience we have included worksheets in Exhibits A, B, C and D to assist you in calculating the personal use amounts. We can help you through the maze of these rules, and also show you which of them will cause the least amount of paperwork. Please do not hesitate to call us for an evaluation.

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)

You must make electronic deposits of all depository taxes using the Electronic Federal Tax Payment System (EFTPS) in 2007 if either your total tax deposits in 2005 were more than $200,000 or you were required to use the EFTPS in the past. Depository taxes include employment taxes, excise taxes, and corporation income taxes.

Businesses may voluntarily choose to use EFTPS when not required under the threshold rules discussed above. However, penalties will apply to businesses that fail to use EFTPS when required. Please note that the separate late deposit penalty continues to apply regardless of the method used to make deposits.

EFTPS replaces using Form 8109, *Federal Tax Deposit Coupon* for tax deposits. Businesses that are affected should register for EFTPS by filing Form 9779, *Electronic Federal Tax Payment System Business Enrollment Form.* For more information, visit www.eftps.gov or call 1-800-555-8778 or 1-877-511-4899.

FEDERAL TAX DEPOSITS ON NON-PAYROLL ITEMS

Federal income tax withheld on non-payroll items must be deposited separately from taxes withheld on payroll. The rules for when to deposit the non-payroll taxes are the same as for payroll taxes, with one exception.

The look-back period for non-payroll taxes withheld by a taxpayer is the second calendar year preceding the current calendar year. For example, the look-back period for calendar year 2007 is calendar year 2005. If the total tax reported on Form 945 was more than $50,000, you are on a semi-weekly deposit schedule. If the total tax reported was $50,000 or less, you are on a monthly deposit schedule. A monthly depositor will be required to switch to a semi-weekly schedule if the accumulated liability reaches $100,000 or more on any day during a calendar month.

The withholding must be reported to the Internal Revenue Service on Form 945, *Annual Return of Withheld Federal Income Tax*, and not on Form 941, *Employer's Quarterly Federal Tax Return*. The 2006 return is due January 31, 2007. If all 2006 deposits were timely and 2006 taxes are paid in full, the deadline for filing a timely return is February 12, 2007.

Please note that deposits may have to be filed using EFTPS if the business is required to use EFTPS based on the rules stated above.

Non-payroll items affected include pension distributions, annuities, IRA's, other deferred income, backup withholding and other withholding reported on Form 1099.

FEDERAL BACKUP WITHHOLDING

Payers must generally withhold Federal income taxes from payments of interest, dividends, rents, commissions, royalty payments, and certain other non-wage payments for any payee who gives the payer an incorrect taxpayer identification number or social security number, or no number. Form W-9, *Request for Taxpayer Identification Number and Certification* can be used by a payer to request the number.

Backup withholding is also required when you have been notified by the IRS. The IRS will usually notify you on form called CP2100 or CP2100a, commonly referred to as a "C" notice. The withholding rate is 28% and the payee will be indicated on the form.

YEAR END REPORTING TO THE INTERNAL REVENUE SERVICE

Employees vs. Independent Contractors - The tax form employers use to report compensation paid depends on whether the payee is an employee or an independent contractor. The determination of status rests on the degree of the control the party paying the compensation has over the person performing the work. As a general rule**, you have the right to control or direct only the result of the work done by an independent contractor, and not the means and method of accomplishing the result**. Under certain circumstances you can ask the IRS on Form SS-8, *Determination of Employee Work Status for Purposes of Federal Employment and Income Tax Withholding* to rule whether a worker is an independent contractor or an employee. Erroneously classifying an employee as an independent contractor can cause the employer to be liable for the employee's payroll taxes and subject the employer to significant penalties and interest. There can also be personal liability.

Reporting Compensation and Other Wage Payments Made in the Course of Business - Wages and benefits to employees are reported on Form W-2, *Wage and Tax Statement.* Form W-2 must be given to employees by January 31, 2007 and submitted to the Internal Revenue Service along with Form W-3, *Transmittal of Wage and Tax Statements* by February 28, 2007. If filed electronically (not magnetic media), the deadline is March 31, 2007. For information and online filing (limited number of forms), visit www.ssa.gov/employer or call 1-800-772-6270. Information on reporting of non-wage amounts such as personal use of a company owned vehicle and group term life insurance is discussed below.

A business paying at least $600 during the calendar year to an individual who is an independent contractor, partnership or trust for services or rents, must report these payments to the Internal Revenue Service and to the recipient on a Form 1099. The filing of Form 1099-Misc, *Miscellaneous Income* is also required on <u>all</u> payments made by a trade or business in 2006 to attorneys and law firms if such payments were made for legal services. For 2006 payments, you must give the recipient a copy of Form 1099 by January 31, 2007 and file the Internal Revenue Service copy along with Form 1096 by paper or magnetic media by February 28, 2007, (by March 31, 2007 if filing electronically).

ELECTRONIC/MAGNETIC FILING

Any person who is required to file 250 or more information returns for any calendar year must file such returns electronically/magnetically. This includes corporations, partnerships, employers, estates, and trusts. The 250 or more requirement applies separately for each type of return.

The IRS can assess up to $50 for each incorrect or incomplete return (maximum of $250,000 per year). However, if a taxpayer intentionally disregards their filing requirements (i.e. use of electronic or magnetic media), the penalty is increased to $100 per incorrect or incomplete return with no maximum.

PAYROLL WITHHOLDING REQUIREMENTS

Employers may report personal use of a company vehicle as fringe benefit income on a regular pay period, quarterly, semi-annually, or any other reasonable basis so long as it is at least annually. Employers need not use the same period or method for all employees and may change their reporting period at any time. The Internal Revenue Service does not require a formal election.

It is appropriate to use reasonable estimates on the valuation of fringe benefits for withholding and deposits. However, the actual value must be determined by January 31, 2007 for all 2006 fringe benefits.

Federal withholding on the value of the fringe benefit may be computed either with the regular wages for the elected pay period or, if treated as supplemental wages, withheld at a flat 25% for 2006 and 2007. An employer can elect not to withhold income taxes on the value of employees' personal use of company vehicles provided it tells its employees by January 31st of the year for which it elects not to withhold. The FICA OASDI and Medicare taxes associated with the value must also be withheld and matched by the employer.

The actual value of the fringe benefits must be determined in time to include the amount in the Form 941, *Employer's Quarterly Federal Tax Return* filed for the fourth quarter of the year and included in Boxes 1 and 5 (and, if under the 2006 FICA OASDI limit of $94,200, included in Box 3) of the employee's Form W-2, *Wage and Tax Statement*. The total value of the fringe benefit must be reported and identified in Box 12 and can be further described in Box 14. To help make a timely determination an employer can elect to treat personal employee use of a company car during November and December as incurred in the following calendar year.

In order to shift the record-keeping burden from the employer to the employee, a special rule is available using the lease value rule. Instead of calculating the value of personal use of a vehicle, the employer can include 100% of the lease in the employee's wages. The employee may then calculate a business use deduction on Form 2106, *Employee Business Expenses*.

Employees using non-company owned vehicles for business purposes may also use Form 2106 to deduct the higher of (1) the mileage rate per mile multiplied by the total business mileage plus parking and tolls, or (2) actual expenses attributable to business use. Actual expenses include gasoline, oil, tires, repairs, insurance, depreciation, parking fees and tolls, and garage rent. An employee's unreimbursed expenses can be deducted only as an itemized deduction subject to the 2% of Adjusted Gross Income floor.

W-2 REPORTING OF BENEFITS FOR S – CORPORATION SHAREHOLDERS

There are special rules for certain fringe benefits received by S corporation shareholders who own more than 2% of the outstanding stock, and their family members. Amounts paid by the corporation for certain benefits, such as health, disability and accident insurance, all group term life insurance including the first $50,000 of coverage, and reimbursed medical expenses must be treated as compensation to the shareholder and be reported on Form W-2, *Wage and Tax Statement*. Please note that health insurance is not subject to social security and Medicare taxes. A more than 2% shareholder may be able to deduct 100% of the amount paid for medical insurance for the shareholder, spouse and dependents.

ELECTRONIC EMPLOYEE COPIES OF FORM W-2

If your employees consent, you may be eligible to provide Form W-2 Copies B, C, and 2 to them electronically. If electronic copies are provided special disclosures must be made to employees. Employees must be provided the option to receive paper copies.

FORM W-2 REPORTING OF NON STATUTORY STOCK OPTIONS

Employers must report the difference between the fair market value and the exercise price of all employer-provided non statutory stock options exercised during the tax year. Employers must withhold Federal, FICA and Medicare taxes from compensation resulting from non statutory stock options. Amounts of employer-provided non statutory stock options included in wages on W-2 must also be disclosed in Box 12, Code V.

PENALTIES

Highlighted below are some of the more common federal tax penalties:

• Failure to File Return – Fraud	15% of unpaid tax per month (maximum 75%)
• Failure to File Return – Reasonable cause	5% of unpaid tax per month (maximum 25%)
• Failure to Pay Tax	½ of 1% per month (maximum 25%)
• Substantial Understatement	20%
• Failure to Make Timely Deposits	Ranges from 2% to 15% depending on the length of time elapsed.

There are also significant penalties for failure to file Form 5500, *Annual Return/Report of Employee Benefit Plan* for employee benefit plans and for failure to file information returns or failure to include correct information on an information return.

GROUP TERM LIFE INSURANCE

The cost of group term life insurance in excess of $50,000 of coverage that is provided to an employee is included as compensation to the employee and is subject to FICA OASDI and Medicare taxes. Exhibit E can be used to gather the information needed for the calculation. The cost is based on the employee's age as of December 31st, and is determined by the following table:

Table 5 – Uniform Premium for $1,000 of Group Term Life Insurance Protection
(REV. 2000)

Age Bracket	Cost per $1,000 of protection for each 1-Month Period
Under 25	.05
25 to 29	.06
30 to 34	.08
35 to 39	.09
40 to 44	.10
45 to 49	.15
50 to 54	.23
55 to 59	.43
60 to 64	.66
65 to 69	1.27
70 and over	2.06

EXAMPLE: A Corporation pays the premiums on a $70,000 group-term insurance policy on an employee. The employee is 50 years old. Excess coverage is $20,000 ($70,000 minus $50,000). The monthly rate for $1,000 of excess coverage for a 50 year old employee is 23¢. The 23¢ cost is multiplied by 20 ($20,000 excess coverage divided by $1,000) to give a $4.60 monthly value on excess coverage. The annual value of the excess coverage will be $4.60 multiplied by 12 months to yield $55.20 in total income to be reported on the employee's Form W-2

THE MANUFACTURERS' DEDUCTION

As mentioned in last year's letter, this deduction was new for 2005. This new law defines manufacturing so broadly that many businesses that are not normally considered manufacturers are able to take advantage of the deduction. Manufacturing includes, but is not limited to, traditional manufacturing, construction, engineering, energy production, computer software, filmmaking and the processing of agricultural products. The deduction for 2006 is 3% and increases for 2007, 2008, 2009 to 6%, of Qualified Production Activity Income (QPAI). To arrive at QPAI every business would have to be examined separately and calculated differently.

DEPRECIATION

The aggregate cost of §179 property that can be expensed is limited to $108,000 for 2006 and $112,000 for 2007. This limitation is reduced further by the amount that the total cost of the property placed in service exceeds $430,000 for 2006 and $450,000 for 2007.

BUSINESS HIGHLIGHTS OF THE 2006 TAX ACTS:

Tax Increase Prevention and Reconciliation Act of 2005 signed into law on May 17, 2006. This act is designed primarily to retroactively extend a number of popular tax breaks that would have expired in 2005 and in future years. Below are some highlights of this act. Please contact us if you have any questions on how this act may impact your specific situation.

- The favorable tax rates for capital gains and qualified dividend income will remain in place until 2010.
- Until 2009, there's a new temporary exception for certain dividends, interest, rents and royalty payments between related CFC (controlled foreign corporation).
- The active business test for tax-free corporate spin-offs has been simplified.
- For purpose of the 50% W-2 limit on the Code Section 199 domestic production deduction, taxpayers may only include amounts which are properly allocable to domestic production gross receipts.

Pension Protection Act of 2006 is a massive tax bill that overhauls the funding and disclosure rules for defined benefit plans, addresses conversions of pension plans to cash balance plans, carries liberalized payout and rollover rules, and makes a host of other changes relating to pension plans and their beneficiaries. Many of these changes specifically relate to the administration of your pension plans. If you have any questions on how these changes may impact you, please contact us to discuss the new provisions in greater detail.

Some other highlights of the Act that are not specific to pension plans are:

- The Act makes permanent a number of retirement plan and IRA liberalizations that were added to the tax laws in 2001 but were set to sunset after 2010. By making 2001 changes permanent, the new law preserves the advantages of higher employee limits for employer plans, higher IRA contribution limits, more flexible plan rules, portability, a catch-up for those over 50, and an increase in employer contribution limits.
- The Act also contains a package of provisions to help prevent abuse in the charitable sector and provide additional tax incentives for Americans to give more resources to the charitable community. The incentives include charitable deductions for contributions of food inventory for all trades and businesses, basis adjustments to stock of S Corporations that contribute property to a charity and enhanced charitable deduction for contributions of book inventory by C corporations to public schools.

MASSACHUSETTS:

- Massachusetts extended its corporation 3 percent investment tax credit to January 1, 2009. The credit had previously been scheduled to revert to 1 percent after December 31, 2003.

- Massachusetts follows current rules under §179 for expensing depreciable assets. Currently there is no talk about de-coupling from the Federal treatment of the §179 deduction.

- Electronic filing, called WebFile for Business, is required if the aggregate of the 2005 calendar year tax liabilities for wage withholding, state and local room occupancy excise, and sales and use tax was $10,000 or more. WebFile for business is the Massachusetts Department of Revenue's secure Web-based application that allows business taxpayers to register, file and/or pay certain tax obligations online. Once you register for WebFile, all future returns of the types mentioned above must be filed electronically, when applicable. In some cases, zero returns may be required. If a taxpayer is required to file electronically, the submission of a paper return will be deemed a failure to file and will be subjected to penalties. All new business operators must use electronic filing for wage withholding, state and local room occupancy excise, and sales and use tax. For more information and to begin the registration process please visit:
  https://wfb.dor.state.ma.us/webfile/business/Public/Webforms/Login/Login.aspx
  Webfile for Businesses.

- Corporations subject to the corporate excise with more than $100,000 in gross receipts will be required to transmit all returns, documents and tax payments using electronic means.

- Corporate extension requests must be filed electronically if they are already required to file and pay electronically. Corporations with more than $100,000 in gross receipts or sales or a payment of $5,000 or greater must make extension requests and any accompanying payment electronically.

- Payers of non payroll payments reported on Form M-945 who are withholding tax on behalf of recipients of those payments must file and pay electronically.

- The Massachusetts Corporations Division has a web site that allows you to perform many different tasks through the ease of the Internet. You can file many of the corporation forms. You can even organize many types of business entities by filing on-line through this site. **We recommend that businesses file their annual reports on-line**. The web site is: http://corp.sec.state.ma.us/cor/coridx.htm.

In this letter, we have discussed information that may be applicable to the preparation and submission of your 2006 informational returns and to the computation of taxable employee benefits. We have also highlighted some of the changes as a result of the new 2006 tax legislation. Please do not hesitate to contact us if you have any questions regarding this information or if we can be of additional service.

Very truly yours,

Tonneson & Company CPAs PC

Tonneson & Company CPAs PC

Enclosures

EXHIBIT A

2006 Annual Lease Value Table

Automobile fair market value	*Annual Lease Value*
$ 0 to 999	$ 600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6,350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 29,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250

For vehicles having a fair market value in excess of $59,999, the annual lease value is equal to: (.25 x the fair market value of the car) + $500.

EXHIBIT B

2006 AUTOMOBILE USAGE REPORT

(To be Completed by All Employees using Company Owned or Leased Vehicle(s))

Employee Name ______________________________

The personal use of company owned or leased vehicles are a taxable fringe benefit. The amount of the benefit must be computed each year in accordance with Internal Revenue Service Regulations. The value of the fringe benefit will be included as additional compensation on your 2006 Form W-2, *Wage and Tax Statement*.

To assist in complying with this law, the following information for 2006 usage must be documented. Your response should be returned as soon as possible.

1. The number of business miles driven (your business miles do not include commuting to and from work). ____________
2. The number of commuting miles driven. __________
3. The number of personal (other than commuting) miles driven. _________
4. The total number of miles you drove the company car during the year (sum of lines 1, 2 and 3). _________
5. Did you have a second personally owned vehicle available for personal use? Yes ___ No ___
6. Did you maintain written records to document to your business and personal use? Yes ___ No ___
7. Do you wish to have federal and state income taxes withheld from your pay based on the taxable fringe benefit amount? Yes ___ No ____

______________________________ _________________

(Signature) (Date)

FOR COMPANY USE ONLY

Period Car Used by Employee During Year From: __________ To: __________

Type of Vehicle (Year/Make/Model) __________ __________ __________

Date Vehicle Purchased by the Company ____________________

Original Cost: _______________

Gasoline Paid by Employer: ___ Yes ___ No

EXHIBIT C

WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE FOR CALENDAR YEAR 2006

Employee: ____

Description of Vehicle: ______________________________________

Date Vehicle First Made Available To Any Employee: ____________________

Date Vehicle First Made Available To This Employee: ____________________

Select One Method (Note Limitations On Methods II And III)

Usage Period: *(Check One)* 11/1/05 To 10/31/06 ______ Or Calendar 2006 ______

METHOD I – Annual Lease Value Method (For Autos Available 30 Days of More)

Step

1	Fair market value of vehicle (redetermined at the beginning of the first year and every 4th year thereafter).	$ ________
2	Annual lease value, per attached chart	$ ________
3	Enter number of days during the year that the vehicle was available	x ________(See Note 1)
4	Divide step 3 by number of days in tax year (365). Place result in the space provided	÷________
5	Prorated annual lease value (multiply Step 2 by Step 4)	________
6	Personal use % (personal/total miles, per statement from employee Exhibit B divide #3 by #4)	x ________%
7	Personal annual lease value (Step 5 x Step 6)	$ ________
8	If fuel is provided by employer: enter personal miles (from Exhibit B #3) _______x_________(See Note 2)	
	Personal use taxable income (Step 7 + Step 8)	$ ________

EXHIBIT C (continued)

AUTO LEASE FOOTNOTES

(1) For autos available less than 30 days please multiply the number of days the auto is available by 4 and place that result in the space provided.

-or-

For autos available 30 days or more enter the days available in the space provided.

Please note that if by treating all periods as 30 days or more results in a lower valuation, then an election can be made to do so for **ALL** periods.

(2) If fuel is provided "in kind", the fair market value may be determined based on all facts and circumstances or, alternatively, 5.5 cents per mile if auto usage is within U.S., Canada, and Mexico. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If employers with a fleet of 20 or more vehicles reimburse or allow employees to charge fuel cost, the fleet-average cents per mile may be used. If the fleet employer determines that actual cost or fleet average methods are unreasonable administrative burdens, the 5.5 cents per mile may be used.

EXHIBIT D

WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE

EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE FOR CALENDAR YEAR 2006

METHOD II – STANDARD MILEAGE RATE METHOD

Generally, in order to qualify to use the cents-per-mile method, the vehicle must: (1) be expected to be regularly used in the employer's business throughout the calendar year, (2) be driven at least 10,000 miles per year, and (3) have a fair market value of $15,000 or less. Once this method is adopted for a particular vehicle, it must be continued until the vehicle no longer qualifies.

Enter personal miles __________ x $0.445 for period 1/1/06 through 12/31/06 =	$ ___________
Deduct:	
If fuel is NOT provided by the Employer enter personal miles ___________ x $0.055 =	(__________)
Personal use taxable income	$ ___________

METHOD III – SPECIAL COMMUTING METHOD

This method may only be used for vehicles covered by a written policy that allows commuting but no other personal use. DO NOT USE if employee is a 1% or more owner, an officer or board member with compensation of $85,000 or more, an individual with compensation equaling or exceeding $175,000, or who is a director.

Number of commuting round trips made	___________
Value per round trip	x $3.00
Personal use taxable income	$___________

EXHIBIT E

GROUP TERM LIFE INSURANCE
(To be Completed by Employers)

Please complete the following for all employees with Group Term Life Insurance coverage in excess of $50,000.

Employee Name			
Insurance Company			
Policy Number			
Amount of Coverage			
Policy Beneficiary			
Policy Premium			
Period Covered			
Employee's Age			

Completed By: ____

______________________________ ____________
Name and Title Date

NOTE: If Tonneson & Company CPAs PC prepares your W-2 forms, please return this form to us as soon as possible.