

RECENT LEGAL NOTES

- DLB Consulting, LLC

Supreme Court gives IRAs protection in bankruptcies

The U.S. Supreme Court issued a unanimous decision in April 2005 that will protect individual retirement accounts (IRAs) from creditors in bankruptcy proceedings. Until this decision, company pensions and 401(k) plans were protected under federal law, but IRAs were not.

The Supreme Court reversed a lower court's decision which had held that IRAs were not protected because individuals could withdraw money from their IRAs at any time. The Supreme Court ruled that the 10% early withdrawal penalty serves as a substantial deterrent that keeps taxpayers from accessing IRA funds before age 59½. Therefore, IRAs are in the same category as other retirement plans and should be protected from creditors when bankruptcy is filed.

IRS releases vehicle depreciation limits

The IRS has issued the depreciation limits for business cars first placed in service during 2005. For passenger cars, the limits are \$2,960 for 2005, \$4,700 for 2006, \$2,850 for 2007, and \$1,675 for each year thereafter. The limits for light trucks and vans are \$3,260 for 2005, \$5,200 for 2006, \$3,150 for 2007, and \$1,875 for each year thereafter.

Different limits apply to electric vehicles, and some non personal-use vehicles are exempt from these depreciation limits.

Note that first-year depreciation limits for vehicles placed into service in 2005 are considerably lower than the limits for 2004. The reason: 50% bonus depreciation for new business equipment purchases is no longer allowed. New rules also apply to heavy sport utility vehicles (SUVs) used in business. SUVs built on a truck chassis and weighing more than 6,000 pounds are exempt from the depreciation limits given above. They are, however, subject to a maximum first-year expensing limit of \$25,000.

If you need additional information about depreciation as it applies to your 2005 business equipment purchases, give our office a call.

For additional information on recent IRS rulings, visit <http://www.irs.gov/newsroom/index.html>

*Current 2006 IRS
mileage reimbursement:
44.5 cents*