



2008 Tax Legislation Alerts

To our clients and friends:

2008 has been a busy year for tax legislation. Following is how this legislation may impact your 2008 tax year. To affect your 2008 return, the following actions must be executed by December 31, 2008.

- ✦ **Bigger First Year Depreciation Deduction.** If you are thinking about purchasing equipment, furniture, or other tangible property for use in your business, now may be the perfect time to do so. The maximum deduction is now \$250,000 (up from \$125,000). This deduction starts to reduce once your equipment purchases exceed \$800,000.
- ✦ **Business losses.** Business loss deductions can be taken for bad debts, losses on the sale of business assets and net operating losses. If your business will have a bad year in 2008 but had profitable years in 2006 or 2007, you may be able to carry back the current year loss and receive a refund for taxes paid in prior years.
- ✦ **Capital losses.** If you have sources of capital gain income in the current year (whether from the sale of a business, installment sale income, or other sources), you may benefit by selling off losing positions to offset these gains.
- ✦ **Midwest Flooding.** If you experienced damage from flooding, please see our website.
- ✦ **Itemized Deduction for State and Local Sales Taxes.** The optional deduction for state and local sales and use taxes has been extended to 2009. If you are looking at a low income year, you may want to defer Wisconsin tax payments and utilize the sales tax deduction this year. We are happy to calculate this for you upon your request.
- ✦ **All Cash Donations to Charity Must Be Documented (No Exceptions).** You're no longer allowed any write-offs for contributions of cash, checks, or other monetary gifts unless you retain either a bank record that supports the donation (such as a cancelled check or credit card receipt) or a written statement from the charity that meets tax-law requirements. For cash donations of \$250 or more, a bank record is not enough. You must obtain a charity-provided statement that meets tax-law standards. This is a great time to take advantage of charitable giving plans at your work, or to start one!
- ✦ **Mileage reminder.** Mileage logs are very important this year. Mileage incurred from January 1 – June 30th can be reimbursed at a maximum of \$.505 per mile, and mileage incurred after July 1 can be reimbursed at a maximum of \$.585 per mile. Don't glance over this deduction, this adds up quickly!
- ✦ **Transportation fringe benefit.** Employers may now pay employees, as a nontaxable fringe benefit, up to \$20 per month to employees who commute to work by bicycle.
- ✦ **Kiddie Tax.** For 2008, all dependent children, including students aged 19-23, whose wages do not provide more than half of their support will have their investment income taxed at incremental rates. The first \$900 is tax free. The next \$900 is taxed at the child's rate (typically 10%) and the remainder is taxed at the parent's rate.
- ✦ **First-time homebuyer credit.** This allows first-time homebuyers a temporary refundable tax credit equal to 10% of the purchase price of a home, up to \$7,500. The credit begins to phase out for taxpayers with adjusted gross incomes in excess of \$75,000 (150,000 married filing joint). The credit is effective for homes purchased on or after April 9, 2008, and before July 1, 2009. This credit can be reported on the taxpayers 2007 or 2008 tax return, let us help calculate which is more advantageous to you.
- ✦ **AMT.** Yes, they did pass a patch to raise the exemption rates with inflation. This still places a lot of people in the grasp of this tax. Important decisions regarding when you pay your real estate taxes and your state income taxes can impact this for 2008. Please contact us to assist you with this decision.

For 2009

- ✦ **Residential Energy Efficiency Credit.** This credit is not available for 2008. However, if you have not claimed this in the past, the credit has been reinstated for 2009, so it is a great planning idea to hold off on energy improvements until 2009.

The tax law is complex, and understanding what tax planning techniques may benefit your year-end tax planning strategy can be an overwhelming and daunting task. If you would like to discuss how certain tax planning strategies can help minimize your tax liability, don't hesitate to call our offices today.

Very truly yours,

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