

Client NEWSLETTER

December 2008



MILEAGE RATES

2008 2009
(cents per mile)

Business		
January-June	50.5	55.0
July-December	58.5	55.0
Medical		
January-June	19.0	24.0
July-December	27.0	24.0
Moving		
January-June	19.0	24.0
July-December	27.0	24.0
Charity	14.0	14.0

IMPORTANT DATES

Individual tax returns due:
April 15, 2009

Individual federal/state estimated tax payments due:

January 15, 2009
April 15, 2009
June 15, 2009



Corporate tax returns due:
March 16, 2009

Partnership/estate/trust tax returns due:
April 15, 2009

MINIMUM DISTRIBUTIONS NOT REQUIRED FOR 2009

Under existing tax law, when a taxpayer reaches the age of 70 ½, they must either liquidate their qualified retirement plans in full or arrange to take required minimum distributions (RMDs) each year. Congress



has recognized the impact these RMDs may have on retirement accounts that have lost significant value in the last quarter of 2008 and have suspended the RMD for 2009 without penalty.

Existing tax laws:

- By April 1 of the calendar year following the year in which the taxpayer reaches age 70 ½, the remaining balance in any tax-deferred retirement savings account (401(k) plan, 403(b) plan, IRA, etc.) must be liquidated or the taxpayer must begin to take RMDs from the account. (For example, a taxpayer's birthday is June 1st, he will be 70 1/2 on December 1, 2008. He must take his first RMD by April 1, 2009.)
- Every year thereafter, RMDs must be made by December 31st for that year.
- IRS enforces a 50% excise tax on distributions that do not meet the RMD criteria.
- Taxpayers under the age of 59 ½ pay a 10% penalty on early withdrawal of funds.
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President-Elect Obama's Anticipated Tax Changes

With a new President, come new tax ideas and proposed legislation. What follows are the key changes expected to happen in 2009.

Tax Brackets

The 33% bracket will be split so that the upper tier will become a 36% bracket. This is anticipated for taxable income exceeding \$250,000 for married individuals filing a joint return. In addition, a 39.6% bracket will be created. All other tax brackets (10%, 15%, 25%, and 28%) will remain as they are. C-Corporation income will not be affected by this change however income from S-Corporations, Limited Liability Companies, and Partnerships would be subject to the new rates as they flow-through to the individual tax return.

Tax on Capital Gains and Qualifying Dividends

Taxpayers in the new 36% and 39.6% brackets will see rates rise from 15% to 20%.

Social Security Tax

The OASDI portion of the social security tax applies to wages earned up to \$106,800 (for 2009). Proposed legislation would have individuals with income levels exceeding \$250,000 subject to the tax once again. This is expected to be phased in over a number of years.

(RMDs...continued from page 1)

New tax laws:

- Suspends RMDs from qualified retirement accounts for 2009.
- RMDs are *not* waived in 2008 by the new law.
- The 50% excise tax will *not* apply to RMDs not of the right amount.
- The 10% penalty *will still apply* to early distributions.
- Suspension also applies to the 5-year RMD schedule for beneficiaries in 2009.



Property Tax Deduction

For individuals who own a home but do not have enough deductions to itemize (i.e. file Schedule A with their tax return) and consequently take the standard deduction, there is a new deduction. The standard deduction may be increased by the amount of property taxes paid, not to exceed \$1,000 (\$500 for married individuals filing a separate return). This deduction was set to expire at the end of 2008 but was extended through 2009 by the Housing and Economic Recovery Act of 2009.



Credit for First Time Homeowners

The Housing and Economic Recovery Act of 2008, which was signed into legislation on July 30, 2008, provides a credit to first-time homebuyers who purchase a primary residence between April 9, 2008 and July 1, 2009. The credit is equal to 10% of the purchase price of the primary residence not to exceed \$7,500 (\$3,750 for married individuals filing separate tax returns). Phase-out of the credit occurs when adjusted gross income exceeds \$150,000 (\$75,000 for married individuals filing separate tax returns). Repayment of the credit amount would be expected over a 15-year period making it, in essence, a tax-free loan. If the home is sold before the 15-year period has expired, the remainder of the credit would be repaid during the year of sale. A first-time homebuyer is defined as someone who has not owned a home for the 3-year period prior to the purchase.