Geier Financial Group

Keeping you ahead of the game!

Tax department

DECEMBER ISSUE

This month we are shining the spotlight on our Tax department . James McIntosh, many of whom know him as Mac, a very experienced and reputable CPA in the Columbia area prepares a large number of our tax returns every year. He is being joined by fellow CPA Dan Mules, and other members of Geier Financial Group this year to handle the tax side of the business. Dan and Mac each bring over 20 years of both corporate and personal tax planning experience to the firm. Whether it is staying abreast of the latest tax laws, appealing unwarranted tax notices, or just taking the heavy burden of tax preparation off client's hands, they are always there!

The tax department offers but is not limited to the following services:

- Tax return preparation
- Tax research
- Handling tax notices

Please give us a call should you be interested in any of these services.
We are always here for you!

We have attached an article relating to how the recent bailout plan provides tax breaks for Americans and their families.

THE TAX GUY by Bill Bischoff (Author Archive) October 8, 2008

Bailout Act Includes Tax Breaks for the Little Guy

YOU MIGHT NOT be a big fan of the Emergency Economic Stabilization Act of 2008 (better known as the bailout bill). But it does include a bunch of federal income tax changes, most of which are taxpayer-friendly. Here's a rundown of the personal tax changes that may affect you and members of your family.

Extensions for Personal Tax Breaks

The new law gives new or prolonged life to the personal federal income tax breaks listed below.

College Tuition Deduction
The deduction for up to $4,000 of college tuition and related fees was extended for 2008 and 2009. If you qualify, you need not itemize to benefit.

Optional Sales Tax Deduction
The optional itemized deduction for state and local sales taxes (in lieu of deducting state and local income taxes) was extended for 2008 and 2009. Your must claim itemized deductions on Schedule A of Form 1040 to gain any benefit from this break.

Real Property Tax Deduction for Non-Itemizers
Legislation passed earlier this year established a new real property tax deduction for non-itemizers. The maximum deduction is $1,000 for married joint-filing couples and $500 for others. However, the deduction can't exceed the amount of state and local real property taxes that you actually pay during the year. This deduction was originally a one-year deal for 2008 only. The new law extends it through 2009.

Educator Expense Deduction
The deduction for up to $250 of personal expenditures by teachers and other educators to provide stuff for their schools was extended for 2008 and 2009. If you qualify, you need not itemize to benefit.

Charitable Contributions Out of IRAs
Your right to make up to $100,000 in annual charitable cash donations directly out of your IRA was extended for 2008 and 2009. This break is only available if you are over age 70½ by the end of the year.

Tax-Free Treatment for Forgiven Mortgage Debt
Legislation passed late last year allows federal-income-tax-free treatment for up to $2 million of forgiven principal residence mortgage debt. The new law extends this deal for three additional years--through 2012. So this break is now available for mortgage debts that are forgiven in 2007-2012. Individuals need not be bankrupt or insolvent to benefit from this provision.

Tax Credits for Residential Energy-Saving Expenditures
The credit for 30% of expenditures to install solar electricity generation and solar water-heating equipment and fuel-cell equipment in your residence was set to expire at the end of this year. For 2008, the maximum credit for each category of solar equipment is $2,000. For fuel-cell equipment the maximum credit is $500 per 0.5 kilowatt hour of capacity. The new law extends the credit through 2016 and makes some changes as well. For 2008-16, 30% of expenditures for wind energy equipment and geothermal heat pumps can also qualify for the credit (subject to annual dollar caps). For 2009-16, the $2,000 annual cap on the credit for solar electricity generation equipment is removed. Finally, the credit can be used to offset both your regular tax and AMT bills, starting in 2008.

The separate credit for installing energy-efficient insulation, windows, doors, roofs, and heating and cooling equipment in your residence died at the end of 2007. The new law restores it (with some minor changes) for 2009 while skipping over 2008 entirely (go figure). The maximum credit is only $500 over your lifetime, so it’s helpful if you qualify, but it’s no big deal. In any case, you won’t need to think about it again until next year.

One-Year AMT Patch (for 2008 Only)

If our beloved Congress had not taken action, millions more individuals would have been hammered with the dreaded **alternative minimum tax** (AMT). So the politicians put yet another one-year patch in place. As a result, if you did not owe the AMT for last year, you probably won’t owe it for this year either. The patch has two parts.

First Part: Higher AMT Exemptions
The first part of the patch grants expanded AMT exemption amounts for 2008. You subtract these exemptions from your income in arriving at the amount that will be taxed under the AMT rules. Bigger exemptions mean less chance that you have to pay the AMT with your 2008 Form 1040. The expanded exemption amounts for 2008 are as follows.

- $69,950 for married joint-filing couples and surviving spouses (up from $66,250 for 2007).
- $46,200 for unmarried individuals (up from $44,350).
- $34,975 for married individuals who file separately (up from $33,125).

Unfortunately, these exemptions are phased-out for higher-income taxpayers. For married joint-filers, phase-out starts when your income under the AMT rules exceeds $150,000. For unmarried individuals, the phase-out threshold is $112,500. For married individuals who file separately, the threshold is $75,000. The new law doesn’t change the exemption phase-out rule.

Second Part: Personal Tax Credits Reduce Your AMT Bill
The second part of the patch allows you to use certain personal tax credits to offset your 2008 AMT bill as well as your regular tax bill. Once again, this reduces the odds of being hit with the AMT for 2008 (you were allowed the same privilege for 2007). This treatment applies to the personal credits listed below.

1. Child tax credit (up to $1,000 per child).
2. Hope Scholarship education tax credit (up to $1,800) and Lifetime Learning education tax credit (up to $2,000).
3. Child and dependent care tax credit.
4. Adoption tax credit.
5. Retirement saver's tax credit.
6. Tax credit for certain energy-saving equipment installed in your residence.
7. Tax credit for elderly and disabled individuals.
8. Mortgage tax credit.
9. First-time DC homebuyer tax credit.

Some of these credits are pretty arcane, which is why you may not recognize them. The new law doesn't change that. The first four credits are pretty common, but they are all reduced or eliminated if your income exceeds certain thresholds. The new law doesn't change that either.

Refundable AMT Credit Rules Liberalized (Big Time)

In a **recent article**, I explained how AMT victims who generated AMT credits a few years ago (typically from exercising lucrative incentive stock options) could potentially start collecting their unused credits by filing Form 8801 with their 2007 returns. However, as I also explained, it could take up to five years to collect your old AMT credits, or even longer if your income was too high--because the refundable AMT credit privilege was phased-out for higher-income folks.

Happily enough, the new law makes enormous improvements in the refundable AMT credit rules. For 2008 and beyond, the phase-out rule for higher-income taxpayers is completely eliminated. In addition, the new law allows you to collect 50% of any unused AMT credits generated in pre-2005 years by including Form 8801 with your 2008 Form 1040. You can collect the remaining 50% by doing the same drill with your 2009 return. Any unused AMT credits generated in 2005-08 can also be recovered over two years, but you have to wait until the credits are over three years old before you can start cashing them in.

Additional Relief for Prior-Year AMT Victims

There's more. Another provision in the new law lets you walk away from any unpaid AMT bills that were outstanding on 10/3/08 if they were caused by exercising incentive stock options before 2008. You can also walk away from any related interest and penalty charges assessed by the IRS. If you already paid some interest and penalty charges, you can recover them over two years under the new-and-improved refundable AMT credit rules.