

Client *NEWSLETTER*

January 2008



Mileage Rates

	<u>2007</u>	<u>2008</u>
	(cents per mile)	
Business	48.5	50.5
Medical	20.0	19.0
Moving	20.0	19.0
Charity	14.0	14.0



IMPORTANT DATES

Individual tax returns due:
April 15, 2008

Individual federal/state estimated tax payments due:

**January 15, 2008,
April 15, 2008,
June 16, 2008, and
September 15, 2008**

Corporate tax returns due:
March 15, 2008

Partnership/Estate/Trust tax returns due:
April 15, 2008



Reminder

Subcontractors paid more than \$600 during 2007 will need to have a Form 1099 issued to them.

NEW RULES for Charitable Contributions



Effective for contributions made in **taxable years beginning after August 17, 2006**, the substantiation rules for money contributions have become more stringent.

In the case of a charitable contribution of money, regardless of the amount, applicable record-keeping requirements are satisfied only if the donor maintains, as a record of the contribution, a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution. Such examples would be dropping money in the church offering plate or giving a sum of cash to a charitable organization anonymously. In order to claim these as tax deductible charitable donations, all money contributions need to be made through a check or some other form that leaves a hard copy paper trail documenting the donation.

The provision is intended to provide greater certainty, both to taxpayers and to the Treasury in determining what may be deducted as a charitable contribution.

REMEMBER: For contributions made after August 17, 2006, no deduction is allowed for a charitable contribution of clothing or household item unless the item is in "**good/working**" used condition or better. The Treasury is authorized to deny by regulation a deduction for any contribution of clothing or a household item that has minimal monetary value, such as used socks and used undergarments. Household items include furniture, furnishings, electronics, appliances, linens, and other similar items.

When valuing non-cash donations such as those made to the Salvation Army, the donor should use the fair market value at the time of the donation. Fair market value is what a willing

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THE ELECTION AND TAXES

2008 is a presidential election year and as such it is important to be aware of the candidates' positions on tax issues and what affect, if any, this could have on you as a taxpayer. We strongly encourage our clients to consider all of the tax positions of presidential candidates when determining who will receive your vote. According to CNNMoney.com, presented below are a few tax positions held by some of the leaders in the polls:

Clinton proposes “allowing portions of the Bush tax cuts to expire for those making more than \$250,000 while preserving them for everyone else. In addition, she would reduce certain tax exemptions for those making more than \$250,000.”

Edwards proposes to “make the first \$250 of interest, capital gains and dividends tax-free for everyone”. However, he favors increasing the capital gains tax to between 20% and 28% for taxpayers making more than \$200,000 and “would repeal the Bush tax cuts for households with more than \$200,000 in income.”

Giuliani proposes to “make the Bush investment tax cuts permanent and lowering corporate tax rates. Additionally, with respect to Alternative Minimum Tax (AMT) Giuliani favors indexing income exemption levels to inflation to protect middle-income families from being subjected to the wealth tax, which disallows a number of popular tax breaks that are used under the regular income tax code”.

McCain proposes to “make the Bush investment tax cuts permanent and favors eliminating the AMT”.

Obama proposes to “eliminate capital gains taxes for business start-ups”. However, he favors increasing the capital gains tax to between 20% and 28% for taxpayers making more than \$250,000. Additionally, he “wants to eliminate income taxes for seniors making less than \$50,000 and favors letting the Bush tax cuts expire for taxpayers making more than \$250,000.”

Romney proposes to “eliminate the tax on interest, capital gains and dividends for taxpayers with AGI under \$200,000, would lower corporate taxes, and would make the Bush investment tax cuts permanent for everyone else”.



The Filing Dilemma of Vermont Form HS-122

Form HS-122 made its debut in 2007 as the combined form for filing a homestead declaration (part 1) and an Education Property Tax Reduction Application, or “prebate” application (part 2). To be considered timely filed, this form must be filed by April 15th. A problem arises for taxpayers who have filed an extension on their income tax returns and do not yet know what their household income will be in order to file part 2 of Form HS-122. Remember, the income tax extension does not apply to Form HS-122.

The current law allows amending household income on Form HS-122, but the original claim **must** have been timely filed. If an original claim was not filed by April 15th, Form HS-122 may be filed up to September 1st but would be statutorily defined as late and the household income may not be amended.

As of December 2007, language that would allow amending household income up to September 1st has passed the House and is in the Senate. There is currently no opposition to the provision; however, it cannot yet be determined when, or if, the bill will be enacted in law.

As long as estimations of household income are reasonably based on information available as of April 15th, the Department will allow amendments to household income before the September 1st due date.

The problem is this: if household income is estimated too high and later amended to a lesser figure, in effect qualifying the individual for an increased “prebate” amount, the increase in “prebate” will be disallowed and is lost. If household income is estimated too low and later amended to a greater figure, in effect qualifying the individual for a decreased “prebate”, the individual will be billed for the excess “prebate” and charged interest and penalties on that amount.

As such, it is very important to file a timely and accurate Form HS-122 so that benefits are not lost, but also to avoid having to pay interest and penalties.

(charitable contributions, continued)

buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. Food, paintings, antiques, and other objects of art, jewelry and gems, and collections are excluded from this new provision and continue to be governed by current law (which may require an appraisal).

It is expected that the Treasury, in consultation with affected charities, will exercise the authority to disallow a deduction for some items of low value helping to ensure that donated clothing and household items are of meaningful use to charitable organizations.