



HOT OFF THE PRESSES!!

TEMPORARY TAX RELIEF ACT OF 2007

(not yet law) – passed House in October and Senate December 6th

For 2007 only – (AMT Relief)

- Allows offsets against AMT tax for certain nonrefundable income tax credits
- Increased AMT exemptions for individual taxpayers

Extends expiring provisions thru 2008 –

- Tax deduction for sales tax
- Qualified tuition deduction
- Deduction for school teacher classroom expenses
- Travel expenses for state legislators
- Tax-free distributions from IRA for charitable purposes
- Tax-free distributions for IRA for those called to active military service

Extends thru 2014 –

- Tax deduction for mortgage insurance premiums

Possible permanent provisions

- Tax-free discharge of home-mortgage indebtedness of up to \$2 million (previously included in income)
- Also, limits exclusion on sale of principal residence by denying exclusion of the gain allocable to nonqualified use of the property (such as home office)
- Repeals IRS authority to use private debt collection companies
- Delays until 2012 requirement for federal, state, and local agencies to withhold 3% on payments for goods and services for such agencies
- Increases tax penalties for failure to file accurate tax information returns



Sarah, Robby, Tonya,
Megan And Allison
Wish For You And
Your Family A Joyful
Christmas And

Holiday Season. There Is No More
Appropriate Time To Say "Thank You" And
To Express To Our Friends, Old And New,
Warm Season's Greetings And Best Wishes
For The Coming Year. We Encourage You
To Be Especially Mindful of God's Blessings
During This Special Season.

DOLLARS & SENSE

December 2007

Happy Holidays!



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May the star of Bethlehem shine brightly on you and your family this Christmas season!

New laws... spouses jointly owning a business can now file schedule C's rather than partnership return. Kiddie tax raised to 18 yrs of age but in 2008 will cover students under age 23. 2008 capital gains rate drops to 0% if in 15% bracket. Also, see IRA RMD info below.

Expiring provisions... Many tax provisions expire in 2010 (low Capital gains rate, increased Sec 179 expensing). Plan now!



SPLIT REFUNDS

Starting 1/1/07, refunds can be split and deposited to 2 or 3 bank accounts. Use refund to fund IRA!

Can you itemize? *Deductible medical expenses, state income taxes, property taxes, mortgage interest and charitable donations generally must be greater than standard deduction.*

Filing Status	'07 Standard Deduction
Head of household	\$7,850
Married filing joint	\$10,700
Married filing separate	\$5,350
Single	\$5,350

New Rates

	2007	2008
Cars - depreciation limit	\$2,960	Unavailable
Trucks - " " (except w/ 6' beds)	\$3,260	Unavailable
SUV > 6000 lbs.	\$25,000	\$25,000
IRA Contribution	\$4,000 *	\$5,000 *
Simple Plan Contribution	\$10,500	\$10,500
401(k) Contribution	\$15,500	\$15,500
Annual Gift Limitation	\$12,000	\$12,000
Section 179 limits	\$112,000	\$128,000
FICA Wage limit	\$97,500	\$102,000

*Catch-up and over age 50 - \$5000/\$6000

Charitable Contributions

Reminder, cash contributions must be supported by a bank record (check) or a receipt from the donee. Best to use checks!

HSA Deduction For 2007, the maximum HSA deduction increases to \$2,850 (\$5,650 for family coverage) regardless of amount of your health insurance deductible.

Keep up with those miles...

the IRS has issued new Standard Mileage Rates for '07/08

	2007	2008
Business	48.5¢	50.5¢
Charity	14¢	14¢
Medical	20¢	19¢

Education Credit... Caution, credit phases out if your MAGI is \$57,000 or more (\$114,000 or more if you file a joint return). Good news...A tuition deduction may still be available.

Honda Hybrid Vehicle - purchase vehicle before 1/1/08 in order to qualify for full tax credit!



AMT Trap... Caution, many more taxpayers with much lower incomes are caught in the alternative minimum tax (AMT) trap. Low tax bracket but more tax!

PAY NO TAX on IRA Required Minimum Distribution (2007 only) If you are age 70 ½ or older, you can direct transfer up to \$100,000 from your IRA to a qualified charity tax-free.

Avoid penalties - pay taxes quarterly if required, or increase withholdings, but pay no later than April 15th.

Worthless Securities??? Sell near-worthless securities and investments by year-end to get a capital loss in 2007 and offset other capital gains.



Gift giving: Holiday business gifts are deductible up to \$25 per recipient when used to generate "goodwill" among current and potential business customers and associates. Gifts to employees generally must be considered wages and taxes withheld.

Self-Employed Health Insurance Deduction: For S corps and partnerships, the HI policy must be in the business name, but sole proprietors can purchase policy in personal name and still be deductible.

Increased section 179 limits... Deduct up to \$125,000 in 2007. Large SUV's and trucks can get a one-time \$25,000 expense election. Business use must be >50%. Equipment must be put into service, not just purchased, by year end.

Businesses - don't forget to do inventory count! July 24, 2008, another minimum wage rate hike.

Farmers - check with USDA office for available disaster relief funds for drought. Russell, Scott, Smyth, Washington, and Lee Co are designated counties.

WEBSITES:

- www.adamscpas.com
- www.irs.gov
- www.tax.virginia.gov

General rule--defer income to 2008, and pay expenses in 2007 to get early deductions. Be aware of AMT trap and limitations of itemized deductions and credits.



Call Sarah for QuickBooks sales, training and support --- easy and affordable.

Outgrowing your accounting system? We are also Sage business consultants (MAS90, MAS200, Peachtree Quantum). See our website for more details..

Feel free to share this newsletter with family, friends and colleagues!

