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'08 – '09 Tax Season
and Obama's Plans

Commonly Overlooked Tax Deductions

- Mortgage Insurance (“PMI”) – limited to \$100,000 AGI
- Points on purchase – deductible in year of purchase
- Refinance points – deductible over the course of the loan, and in full when loan ends
- Charitable contribution deduction for non-itemizers
- Undervaluing non-cash charitable contributions
- State taxes paid for prior year’s taxes
- Foreign taxes paid
- Sales taxes
- Fully funding retirement plans

New This Year Filing Season

- **First-Time Homebuyers “Credit”**
 - \$7,500 “Credit” to First-Time Homeowner
 - “First-Time” means no principal residence for you or spouse in last three years
 - April 9, 2008 – July 1, 2009
 - Limited to \$75,000/\$150,000 AGI limit
 - Repaid over 15-year period
- **Property tax deduction for non-itemizers - \$500/\$1,000**

New This Year Filing Season

- **Extensions (part of “bailout” package)**
 - \$250 Educator deduction
 - \$4,000 tuition and fees adjustment
 - Choice to deduct state income or sales taxes
 - Residential energy (2009, only) and solar energy credits (2008 & 2009)

Obama's Plan

\$250,000 is the cut-off, but \$250,000 of what?

- Wages
- Gross Income
- Adjusted Gross Income
- Taxable Income

Reducing your income below \$250,000

- Shift income between years
- Accelerate income into 2008

Ways your income can increase above \$250,000

- Taxable inheritance
- Bonus

Potential Changes for those with income above \$250,000

- Tax Rate increase
 - 33% -> 35%
 - 35% -> 39.6%
- Payroll “surtax” of 4% of wages above \$250,000
- Avoid AMT if subject to higher tax rates of 35% and 39.6%
- Capital gains and dividends tax rate increase from 15% -> 20%



Retirement Changes

- Allow distributions of up to 15% or \$10,000 from retirement accounts for health and hardships
- Suspending RMD (required minimum distributions) requirements
- Tax credit for retirement savings

Business Changes

- \$3,000 refundable credit for 2009 & 2010 for each full-time employee added to the workforce
- First-year expensing limit of \$250,000



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- Healthcare credit for small businesses

Estate Tax

- Exclusion of \$3.5 million per individual with 45% top tax rate

Other Tax Relief Being Discussed

- “Making Work Pay” Tax Credit of \$500/worker
- American Opportunity Tax Credit of 100% of the first \$4,000 of qualified tuition expenses
- Mortgage Interest Tax Credit of 10% to offset mortgage interest payments
- Senior Tax Elimination for those making \$50,000 or less
- Increasing Retirement Savings Incentives to 50% of the first \$1,000 of savings for families earning less than \$75,000
- Increasing Child and Dependence Care Tax Credit to 50% of first \$6,000 of child care expenses

Numbers You Need to Know

	2008	2009
Social Security Wage Limit	\$102,000	\$106,800
Mileage—Business	50.5/58.5 cents/mile	55 cents/mile
Mileage—Medical & Moving	19 cents/mile	24 cents/mile
Mileage—Charitable Purpose	14 cents/mile	14 cents/mile
Contribution limits for 401(k) , SEP plans and 403(b) annuities	\$15,500	\$16,500
Workers aged 50+ catch-up provision for 401(k), SEP & 403(b)	\$5,000	\$5,500
IRA Contribution Limits	\$5,000	\$5,000
Aged 50+ catch-up for IRA's	\$1,000	\$1,000
1099-MISC Reporting Limit	\$600	\$600
Annual Gift Exclusion	\$12,000	\$13,000

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