

TAX UPDATE

2008 YEAR END NEWSLETTER



WILLIAM D. CUMMINGS, EA

Cummings Tax Service

(603) 262-1634

www.cummingsstaxservice.com

*G*reetings to clients and friends! The income tax filing season is approaching once again. This issue of the Tax Update Newsletter provides a summary of key changes to the tax code for 2008 and offers ideas to help you reduce your taxes.



Tax Saving Moves for 2008

Individuals

Take Tax Free Capital Gains. Effective January 1, 2008 a 0% federal income tax rate on long-term capital gains and qualified dividends takes effect. If you have some appreciated stocks you have held for more than one year it may be a good time to sell and realize tax free capital gains. A new Administration and Congress in Washington could close this window of opportunity. This special rate applies to gains and dividends that are received by clients in the 10% or 15% regular income tax brackets. But even if your income is too high to personally cash in on the 0% rate, through gifting, you may have children, grandchildren, or other loved ones who might qualify.

Make an IRA Contribution. The 2008 Individual Retirement Account (IRA) contribution limit is \$5,000 (\$6,000, if age 50 or over). This is a nice way to defer income from tax and save for your retirement. You can make your contributions through

Continued on page 2

Key 2008 Exemptions and Deductions

Listed here for your reference are key deduction rates for 2008.

PERSONAL EXEMPTIONS –

The personal exemption for each qualifying dependent increases by \$100 for 2008.

Exemption	2008	2007
	\$3,500	\$3,400

The exemption phases out by 2% for each \$2,500 (\$1,250 for married filing separately) by which your income is over:

	2008 PHASE OUT	
Single	\$159,950	
Married Filing Separately	\$119,975	
Married Filing Jointly	\$239,950	
Head of Household	\$199,950	

2008 Alert: This phaseout amount is now reduced by 2/3's in 2008.

STANDARD DEDUCTIONS –

Standard deductions for those who do not itemize are as follows:

	2008	2007
Single	\$5,450	\$5,350
Married Filing Sep.	\$5,450	\$5,350
Married Filing Joint	\$10,900	\$10,700
Head of Household	\$8,000	\$7,850

STANDARD DEDUCTIONS (CONTINUED)

If 65 or over and/or blind add:

	2008	2007
Single/ Head of Household	\$1,350	\$1,300
Married/ Surviving Spouse	\$1,050	\$1,050

ITEMIZED DEDUCTION PHASEOUT –

Deductions are reduced by 3% of every dollar of Adjusted Gross Income (AGI) over \$159,950 (\$79,975 if married filing separately) up to a maximum phaseout of 80% of your itemized deductions. Your medical expenses, investment interest, casualty losses and gambling losses are excluded.

2008 Alert: The phaseout amount noted above is now reduced by 2/3's in 2008.

STANDARD MILEAGE RATES –

The standard mileage rates for 2008 are:

Mileage	2008 RATE/MILE	
	1/1 - 6/30	7/1 - 12/31
Business Travel	50.5¢	58.5¢
Medical/Moving	19.0¢	27.0¢
Charitable Work	14.0¢	14.0¢

2008 Tax Rates

The income brackets for each tax rate are:

SINGLE	MARRIED JOINTLY	HEAD OF HOUSEHOLD	TAX RATE
\$1 - 8,025	\$1 - 16,050	\$1 - 11,450	10%
\$8,026 - 32,550	\$16,051 - 65,100	\$11,451 - 43,650	15%
\$32,551 - 78,850	\$65,101 - 131,450	\$43,651 - 112,650	25%
\$78,851 - 164,550	\$131,451 - 200,300	\$112,651 - 182,400	28%
\$164,551 - 357,700	\$200,301 - 357,700	\$182,401 - 357,700	33%
Over \$357,700	Over \$357,700	Over \$357,700	35%

