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Newsletter

SEPTEMBER 2008

Tax filing reminders

- * September 15 – Third quarter installment of 2008 individual estimated income tax is due.
- * September 15 – Filing deadline for 2007 tax returns for calendar-year corporations that received an automatic extension of the March 17 filing deadline.
- * October 1 – Deadline for businesses to adopt a SIMPLE retirement plan for 2008.
- * October 15 – Deadline for filing 2007 individual tax returns on extension. Also the deadline for filing 2007 tax returns in order to receive a tax rebate this year.

New law provides home tax breaks

The Housing Assistance Tax Act of 2008, part of the housing bill signed into law on July 28, includes two homeowner-targeted provisions that may benefit you – and one that could hurt. Here's a recap.

First-time homebuyer credit. Purchase your first home on or after April 9, 2008, and before July 1, 2009, and you may be able to take advantage of a federal income tax credit of up to \$7,500.

- * You're considered a "first-time homebuyer" if you had no ownership interest in a principal residence in the U.S. during the three years before the purchase.
- * The credit is refundable, so you could get money back if the amount you're eligible to claim is more than the tax you owe.
- * The credit is reduced when modified adjusted gross income exceeds \$75,000 if you're single and \$150,000 if you're married filing jointly.
- * A house you construct qualifies, but one you purchase from relatives generally does not.

* There's a recapture provision, meaning you'll have to pay the credit back in most cases. The payback period is spread over 15 years, beginning two years after you buy your home.

Additional standard deduction. For 2008 you can deduct real property taxes even if you don't itemize.

* The break takes the form of an increased standard deduction.

* The amount of this one-time benefit is the lesser of property taxes you actually pay during the year or \$500 (\$1,000 for married filing jointly).

Reduced home sale exclusion. Generally, up to \$500,000 (\$250,000 for singles) of gain on the sale of your principal residence is tax-free, as long as you meet time and use requirements.

* The new rules, effective for sales after December 31, 2008, reduce the gain exclusion for "nonqualified use," such as use as a rental or as a vacation home.

* The amount of the reduction is based on periods of time after January 1, 2009, when the home is not the principal residence of you, your spouse, or former spouse. Some exceptions apply.

Other tax provisions include changes to the low income housing credit, expansion and extension of Gulf Opportunity Zone incentives, and an election to accelerate alternative minimum tax credits and research credits in place of bonus depreciation.

During the summer, Congress passed two other laws that contain some tax provisions. Here's a quick overview.

* Farm Act. The Food, Conservation and Energy Act of 2008 was vetoed by President Bush but became law when Congress overrode his veto. As the short title implies, the law mainly affects farmers and includes provisions on conservation donations, race horse depreciation, timber sales, CCC loan transactions, and farm loss deductions. Relief for certain disaster victims and increases in estimated tax payments for large corporations in 2012 are among other miscellaneous provisions.

* Heroes Act. The Heroes Earnings Assistance and Relief Tax Act of 2008 provides tax breaks for military personnel, civilian employers of those called to military service, veterans, and reservists serving in the military. The law's revenue-raising provisions include an increase in the minimum penalty for failing to file a tax return, a requirement that certain foreign subsidiaries of U.S. corporations must now pay employment taxes, and an immediate tax bill on Americans who give up their U.S. citizenship to escape income and estate taxes.

It's time to do year-end tax planning

An important part of our service to you is to help identify actions you can take before year-end to minimize your 2008 income tax bill. Accelerating deductions, delaying income, contributing to retirement plans, and taking investment losses are all strategies you might want to consider. There are also tax credits that require careful planning or they may be lost. If you'd like to discuss tax-cutting options that fit your particular situation, please contact us soon for a year-end tax planning review.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.