

JOSEPH C. BISSONNETTE & CO., LLC

NEWSLETTER

OCTOBER/NOVEMBER 2008

NEW MILEAGE RATE

The IRS has announced new mileage rates. The rate will increase to **58.5** cents a mile for all business miles driven from July 1, 2008, through Dec. 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008.

The new six-month rate for computing deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

So, when you bring us your information for 2008, please separate your mileage into two totals: 1/1/08-6/30/08 and 7/1/08-12/31/08 so that we can correctly calculate your mileage deduction.

To summarize:

Mileage Rate Changes

Purpose	Rates 1/1 through 6/30/08	Rates 7/1 through 12/31/08
Business	50.5	58.5
Medical/Moving	19	27
Charitable	14	14

NEW TAX CREDIT TO AID FIRST-TIME HOMEBUYERS

First-time homebuyers may be able to take a new tax credit included in the recently enacted Housing and Economic Recovery Act of 2008. It's available for a limited time only, and it operates much like an interest-free loan, because it must be repaid over a 15-year period. It provides a credit of up to 10 percent of the purchase price (but not to exceed **\$7,500** (\$3,750 for married filing separately)) for a principal residence by a first-time homebuyer (defined as one who has not owned a residence for the three years preceding the purchase). This is phased out for Modified Adjusted Gross Incomes in excess of \$75,000 (\$150,000 for married filing jointly). The credit is recaptured proportionately for each of the first 15 years the taxpayers own the property with any unrecaptured amount accelerated to the year of disposition. The recapture cannot exceed the amount of the gain on a sale to an unrelated party. This applies only to purchases made on or after **April 9, 2008** and before **July 1, 2009**. To find out more, see news release [IR-2008-106](#)

NEW PROPERTY TAX DEDUCTION FOR NON-ITEMIZERS

The 2008 Form 1040 will have a new property tax deduction for people who take the standard deduction. The additional deduction is up to **\$500** for single and **\$1,000** for married filing jointly. This is good news for people whose itemized deductions don't exceed their standard deduction. So when you bring us your 2008 tax information, be sure to give us the amount you paid for property taxes, both car and real estate.

DEADLINE TO FILE YOUR TAXES TO QUALIFY FOR STIMULUS PAYMENT IS OCTOBER 15, 2008 (ALSO THE DATE THAT EXTENSIONS EXPIRE)

However, if you file after October 15th, or if you did not receive the full amount that you were entitled to for one reason or another, there will be a **recovery rebate credit** on the 2008 Form 1040 where you can calculate what you should have received, subtract what you did receive, and get a credit for the balance. And don't worry, if it turns out you received more than you should have, you will not have to repay the excess.

WONDER HOW YOUR ITEMIZED DEDUCTIONS COMPARE?

This table uses IRS data from 2006 returns.

AGI	Taxable Income	Interest	Taxes	Charity	Deductible Med Exp	Total Itemized
0-15K	\$3,062	\$8,761	\$ 720	\$1,373	\$7,179	\$14,569
15-30K	9,999	8,362	994	1,897	6,720	14,506
30-50K	22,663	8,451	1,671	2,123	5,791	15,290
50-100K	47,161	9,813	3,100	2,673	6,354	19,319
100-200K	98,188	12,892	6,139	3,860	9,302	27,820
>200K	519,436	23,274	30,597	18,539	29,509	73,995

BONUS DEPRECIATION

As part of the economic stimulus package, Congress has passed a tax break for businesses. Companies can write off 50% of the cost of **new** assets placed in service in 2008. The remaining 50% of the cost is recovered via depreciation under the normal rules. Used assets **do not** qualify for this break. Most assets are eligible, as long as they are depreciated over 20 years or less. This includes machinery, equipment, land improvements, and leasehold improvements.

This makes 2008 a good time to buy a car for business, especially if it's a new SUV with loaded weight over 6,000 pounds. For ones in use by 12/31/08, \$25,000 of the cost can be expensed through Section 179, half of the remaining cost can be taken as bonus depreciation, and then 20% of what's left can be taken as regular depreciation. That means that a new heavy SUV that cost \$50,000 put into use this year, \$40,000 can be written off in 2008, assuming 100% business use. And for pickup trucks over 6,000 pounds, the entire cost can be expensed if their truck bed is at least 6 feet long and is separate from the cab. The maximum Section 179 expense was increased as well, to \$250,000.