

Tax Information for 2008-2009

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2008 Standard Deductions

Married, filing joint return	\$10,900
Surviving Spouse	\$10,900
Head of Household	\$8,000
Unmarried (Single)	\$5,450
Married, filing separate return	\$5,450
"Kiddie" standard deduction	\$900

2009 Standard Deductions

\$11,400
\$11,400
\$8,350
\$5,700
\$5,700
\$950

The kiddie tax applies to children age 18, and children over age 18 but under age 24 who are full-time students-if their earned income doesn't exceed one-half of the amount of their support

The additional standard deduction amount for the aged and blind is \$1,050 (\$1,350 if the individual is also unmarried and not a surviving spouse).

The additional standard deduction amount for the aged and blind is \$1,100 (\$1,400 if the individual is also unmarried and not a surviving spouse).

2008 Personal Exemption Amount

The personal exemption amount for 2008 is \$3,500.

2009 Personal Exemption Amount

The personal exemption amount for 2009 is \$3,650.

2008 Tax Rate Schedules for Individuals

Marrieds: If taxable income is

Not more than \$16,050
Over \$16,050 but not more than \$65,100
Over \$65,100 but not more than \$131,450
Over \$131,450 but not more than \$200,300
Over \$200,300 but not more than \$357,700
Over \$357,700

The tax is

10% of taxable income
\$1,605.00 + 15% of the excess over \$16,050
\$8,962.50 + 25% of the excess over \$65,100
\$25,550.00 + 28% of the excess over \$131,450
\$44,828.00 + 33% of the excess over \$200,300
\$96,770.00 + 35% of the excess over \$357,700

Singles: If taxable income is

Not more than \$8,025
Over \$8,025 but not more than \$32,550
Over \$32,550 but not more than \$78,850
Over \$78,850 but not more than \$164,550
Over \$164,550 but not more than \$357,700
Over \$357,700

The tax is

10% of taxable income
\$802.50 + 15% of the excess over \$8,025
\$4,481.25 + 25% of the excess over \$32,550
\$16,056.25 + 28% of the excess over \$78,850
\$40,052.25 + 33% of the excess over \$164,550
\$103,791.75 + 35% of the excess over \$357,700

Heads of Household: If taxable income is

Not more than \$11,450

The tax is

10% of taxable income

Over \$11,450 but not more than \$43,650	\$1,145.00 + 15% of the excess over \$11,450
Over \$43,650 but not more than \$112,650	\$5,975.00 + 25% of the excess over \$43,650
Over \$112,650 but not more than \$182,400	\$23,225.00 + 28% of the excess over \$112,650
Over \$182,400 but not more than \$357,700	\$42,755.00+ 33% of the excess over \$182,400
Over \$357,700	\$100,604.00 + 35% of the excess over \$357,700

2009 Tax Rate Schedules for Individuals

Marrieds: If taxable income is

Not more than \$16,700
Over \$16,700 but not more than \$67,900
Over \$67,900 but not more than \$137,050
Over \$137,050 but not more than \$208,850
Over \$208,850 but not more than \$372,950
Over \$372,950

The tax is

10% of taxable income
\$1,670.00 + 15% of the excess over \$16,700
\$9,350.00 + 25% of the excess over \$67,900
\$26,637.50 + 28% of the excess over \$137,050
\$46,741.50 + 33% of the excess over \$208,850
\$100,894.50 + 35% of the excess over \$372,950

Singles: If taxable income is

Not more than \$8,350
Over \$8,350 but not more than \$33,950
Over \$33,950 but not more than \$82,250
Over \$82,250 but not more than \$171,550
Over \$171,550 but not more than \$372,950
Over \$372,950

The tax is

10% of taxable income
\$835 + 15% of the excess over \$8,350
\$4,675.00 + 25% of the excess over \$33,950
\$16,750.00 + 28% of the excess over \$82,250
\$41,754.00 + 33% of the excess over \$171,550
\$108,216.00 + 35% of the excess over \$372,950

Heads of Household: If taxable income is

Not more than \$11,950
Over \$11,950 but not more than \$45,500
Over \$45,500 but not more than \$117,450
Over \$117,450 but not more than \$190,200
Over \$190,200 but not more than \$372,950
Over \$372,950

The tax is

10% of taxable income
\$1,195.00 + 15% of the excess over \$11,950
\$6,227.50 + 25% of the excess over \$45,500
\$24,215.00 + 28% of the excess over \$117,450
\$44,585.00+ 33% of the excess over \$190,200
\$104,892.50 + 35% of the excess over \$372,950

State Sales Tax (2008 & 2009)

State sales tax is deductible on Schedule A as part of itemized deductions. Taxpayers can either keep their receipts or use amounts provided by the IRS tables. In addition to the table amounts, taxpayers may add any sales tax paid on a purchased or leased motor vehicle (includes cars, motorcycles, motor homes, recreational vehicles, SUV's trucks, vans and off-road vehicles) and any aircraft, boat, home (including mobile or prefabricated) or home building materials, but only up to the amount of tax paid at the general sales tax rate. Taxpayers living in a state with a state and local income tax must choose to claim a deduction for either their state and local income tax or the sales tax deduction.

Property Tax Deduction for Non-Itemizers (2008 & 2009)

Beginning in 2008, taxpayers who claim the standard deduction instead of itemizing deductions can claim an additional standard deduction for State and local property taxes paid. The deduction can't exceed the lesser of state and local property taxes actually paid or \$500 (\$1,000 for joint returns.)

Qualified Mortgage Insurance Premiums

A homeowner who obtains a qualified mortgage between January 1, 2007 and January 1, 2011, and whose adjusted gross income is less than \$110,000 (\$55,000 if married filing separately), may be able to deduct some of the mortgage insurance premiums paid during the tax year (as if they were mortgage interest) as an itemized deduction.

Home Mortgage Debt Forgiveness Relief

For indebtedness discharged on or after January 1, 2007, and before January 1, 2010, taxpayers are generally allowed to exclude up to \$2 million of mortgage debt forgiveness on their principal residence only. Gross income doesn't include any discharge of qualified principal residence indebtedness.

The basis of the taxpayer's principal residence is reduced by the excluded amount, but not below zero.

Long-Term Capital Gain Rates

These rates apply to capital assets sold or exchanged (and installment payments received) after May 5, 2003 and before January 1, 2009. Dividends received by an individual shareholder from domestic and qualified foreign corporations generally are taxed at the same rates that apply to capital gains.

For individuals in the 15% tax bracket, gain on stock sold after or dividends received after May 5, 2003 will be taxed at 5% (zero in 2008).

For individuals in a 25% or higher tax bracket, the capital gains rate is 15%. These rates apply to assets held more than one year.

The 25% maximum rate on unrecaptured section 1250 gain and the 28% rate on collectibles still apply. Beginning January 1, 2009, the rates will revert back to the pre-May 5, 2003 rates.

Qualifying Dividends Taxed as Capital Gains

Qualifying dividends received from January 1, 2003 through December 31, 2008 will be taxed at the 15% or 5% rates applicable to net capital gains. For individuals in the 15% tax bracket, qualified dividends received in 2008 will have a zero tax rate.

Qualifying dividends are those received during the year from Domestic Corporations and Qualified Foreign Corporations (one incorporated within a U.S. possession; or one eligible for benefits of a comprehensive income tax treaty with the U.S.). Stock must be held more than 60 days.

Qualifying dividends cannot be offset or reduced by other types of capital losses, and will be taxed in full at the appropriate capital gains rates.

Estimated Tax Requirements

To avoid underpayment penalties, the following must be paid:

2008 or

Individuals with adjusted gross income of \$150,000 or less in 2007:

-100% of 2007 total tax

-90% of 2008 total tax

Individuals with adjusted gross income of more than \$150,000 in 2007:

-110% of 2007 total tax

-90% of 2008 total tax

2009 or

Individuals with adjusted gross income of \$150,000 or less in 2008:

-100% of 2008 total tax

-90% of 2009 total tax

Individuals with adjusted gross income of more than \$150,000 in 2008:

-110% of 2008 total tax

-90% of 2009 total tax

Child Tax Credit

Individuals may claim a child tax credit for each qualifying child under age 17 at the close of the calendar year in which the tax year begins. A qualifying child is a son or daughter (or other descendant), or a stepchild or eligible foster child, for whom the taxpayer is allowed a dependency deduction for the year and who is a citizen or resident of the U.S.

2006-2010	\$	1,000
2011	\$	500

The credit begins to phase out when modified Adjusted Gross Income exceeds \$110,000 for joint filers, \$75,000 for unmarried individuals, and \$55,000 for marrieds filing separately.

Hope Scholarship Credit (2008 and 2009)

Individuals may elect to claim a non-refundable tax credit equal to 100% of up to \$1,200 of qualified higher-education tuition and related expenses plus 50% of the next \$1,200 of expenses paid for education furnished to an eligible student in an academic period. The Hope credit may be elected for a student's expenses only for two tax years, and only for students who have not completed the first two years of post secondary education as of the beginning of the tax year. The student must carry at least half of the normal full-time workload for the course study the student is pursuing.

Qualified tuition and related expenses means tuition and fees required for enrollment or attendance. Charges for room and board, books, supplies, student health fees, and other similar expenses don't qualify.

Lifetime Learning Credit

For 2008, the credit will remain at 20% of up to \$10,000 (maximum credit: \$2,000) of expenses paid during the year. Certain expenses for any course of instruction at an eligible institution to acquire or improve job skills that wouldn't qualify for the Hope credit (which requires at least half-time enrollment) qualify for the Lifetime Learning Credit.

Student Loan Interest

Subject to adjusted gross income limitations, student loan interest can be deducted, even if you don't itemize, up to:

2008	\$2,500
2009	\$2,500

Qualified Education Expenses (2008 & 2009)

Taxpayers can claim an "above-the-line" deduction for qualified education expenses. Qualified education expenses are those that maintain or improve a skill required by an employer or trade or business, or those imposed as a condition of employment retention. The deduction is \$4,000 for taxpayers whose modified adjusted gross

income doesn't exceed \$65,000 (\$130,000 in the case of a joint return); or \$2,000 for taxpayers whose AGI exceeds \$65,000 but doesn't exceed \$80,000 (\$160,000 in the case of a joint return).

Out-of-pocket Classroom Expenses (2008 & 2009)

Elementary and secondary school teachers are allowed an above-the-line deduction for up to \$250 in out-of-pocket expenses for materials and supplies used in the classroom.

Social Security Wage Base

For 2008, the 6.20% Social Security tax is computed on the first \$102,000 of employee's wages. The 1.45% Medicare tax is computed on the employee's total wages (no ceiling).

For 2009, the 6.20% Social Security tax is computed on the first \$106,800 of employee's wages. The 1.45% Medicare tax is computed on the employee's total wages (no ceiling).

Effect of Earned Income on Social Security Benefits

Year	Under Age 65 + 10 months Annual Earnings	Age 65-69 Annual Earning	Over age 69
2008	\$13,560	No Limit	
2009	\$14,160	No Limit	
2010	adjusted by an indexing formula		

Under age 66: For every \$2 earned over the allowed amount, social security benefits are reduced by \$1.

In the year you turn 66: For every \$3 earned over the allowed amount, social security benefits are reduced by \$1.

Individuals who turn 66 in 2008 won't lose benefits if they earn \$36,120 (\$37,680 for 2009) or less before reaching that age.

Earnings required for Quarter of Coverage are as follows:	2008	\$1,050
	2009	\$1,090

Self-employed Individual's Health Insurance Deduction

A self-employed individual (or a partner or a more-than-2%-shareholder of an S corporation) can deduct 100% of the amount paid during the tax year for medical insurance on himself, his spouse and his dependents.

Business Standard Mileage Rate

For 2008, the standard mileage rate is 50.5 cents per mile from January 1, 2008 through June 30, 2008 and 58.5 cents from July 1, 2008 through December 31, 2008.

For charitable travel in 2008, the standard rate is 14 cents per mile.

For medical travel and employee moving expenses in 2008, the rate is 19 cents per mile from January 1, 2008 through June 30, 2008, and 27 cents per mile from July 1, 2008 through December 31, 2008.

For 2009, the standard mileage rate is 55 cents per mile.

For charitable travel in 2009, the standard rate is 14 cents per mile.

For medical travel and employee moving expenses in 2009, the rate is 24 cents per mile.

Simplified (high-low) Method For Substantiating Travel Allowances

For October 1, 2008 through September 30, 2009, an employer can reimburse, for travel within the continental U.S., up to \$256 for high-cost localities (\$198 for lodging and \$58 for meals and incidentals) and \$158 for other localities (\$113 for lodging and \$45 for meals and incidentals).

For October 1, 2007 through September 30, 2008, an employer can reimburse, for travel within the continental U.S., up to \$237 for high-cost localities (\$179 for lodging and \$58 for meals and incidentals) and \$152 for other localities (\$107 for lodging and \$45 for meals and incidentals).

For 2008, a special per diem rate of \$52 is allowed for those in the transportation industry.

Energy Tax Credits

Applicable to property placed in service during years indicated.

There are two separate credits with different requirements. However, a taxpayer who qualifies for both credits can take both credits.

Sec 25C Tax Credit (not for 2008 only 2009)

In general, an individual is allowed a lifetime credit of up to \$500 for making qualifying energy saving improvements to his home (only \$200 of which may be for qualifying window expenditures). Subject to those caps, the credit equals the sum of:

- (1) a 10% credit for energy efficiency improvements to the building envelope (i.e., insulation, exterior windows, skylights, exterior doors, and pigmented coated metal roofs); and
- (2) a credit for residential energy property expenditures in the following amounts:
 - \$50 for each advanced main air circulating fan;
 - \$150 for each qualified natural gas, propane, or oil furnace or hot water boiler; and
 - \$300 for qualified energy-efficient property (e.g., heat pumps, water heaters, and central air conditioners that meet certain requirements).

Sec 25D Tax Credit (2008)

In general, an individual is allowed an annual credit for the purchase of residential energy efficient property equal to the sum of:

- 30% of the amount paid for qualified photovoltaic property (i.e., property that uses solar power to generate electricity in a home), up to a maximum credit of \$2,000;
- 30% of the amount paid for qualified solar water heating property, up to a maximum credit of \$2,000; and
- 30% of the amount paid for qualified fuel cell property, up to a maximum credit of \$500 for each 0.5 kilowatt of capacity.

Sec 25D Tax Credit (2009-2016)

In general, an individual is allowed an annual credit for the purchase of residential energy efficient property equal to the sum of:

- 30% of the amount paid for qualified photovoltaic property (i.e., property that uses solar power to generate electricity in a home), no dollar limit on credit;
- 30% of the amount paid for qualified solar water heating property, no dollar limit on credit; and
- 30% of the amount paid for qualified fuel cell property, no dollar limit on credit for each 0.5 kilowatt of capacity.

First-Time Homebuyer Credit

Eligible first-time homebuyers buying principal residences in the U.S. after April 8, 2008 and before July 1, 2009, may claim a refundable tax credit equal to the lesser of 10% of the purchase price or \$7,500 (\$3,750 for married individuals filing separately). Purchases after December 31, 2008, and before July 1, 2009, may be treated as made on December 31, 2008.

In the second year after purchase, taxpayers who took the first-time homebuyer credit must start adding the credit amount back into taxes paid incrementally over 15 years with no interest charge.

If the taxpayer sells the home (or the home stops being used as the principal residence of the taxpayer and/or spouse) prior to complete repayment of the credit, any remaining credit repayment amount is due on the tax return for the year in which the home is sold (or stops being used as the principal residence).

The credit repayment amount may not exceed the amount of gain from the sale of the residence to an unrelated person. For this purpose, gain is determined by reducing the basis of the residence by the amount of the credit to the extent not previously recaptured. No amount is recaptured after the death of a taxpayer.

Election To Expense Purchase Of Assets

Taxpayers can elect to expense the cost of certain eligible personal property used in the active conduct of a trade or business. The maximum amount that may be expensed is as follows:

- ...\$250,000 for tax years beginning in 2008
- ...\$133,000 for tax years beginning in 2009
- ...\$133,000 for tax years beginning in 2010-2011 (indexed for inflation)

For property placed in service after December 31, 2007, with respect to disasters declared after that date, the maximum Code Sec. 179 expensing amount is increased by the lesser of: (1) \$100,000, or (2) the cost of qualified section 179 disaster assistance property placed in service during the tax year. Several types of property (including property eligible for bonus depreciation under Code Sec. 168(k)) are ineligible for this increase.

Additional 50% First-Year Depreciation

For property placed in service after December 31, 2007 and before January 1, 2009, an additional depreciation deduction equal to 50% of the adjusted basis of qualified property may be claimed. Qualified property includes most types of new property other than buildings. The qualifying property must be original use property placed in service after December 31, 2007.

Additional First-Year Depreciation for New Passenger Autos

For a passenger automobile used more than 50% for business, purchased new, and placed in service after December 31, 2007 and before January 1, 2009, an additional depreciation deduction of \$8,000 may be claimed. For example, a new auto with a maximum first year depreciation deduction of \$2,960 would be allowed a first year deduction of \$10,960 (\$2,960 plus \$8,000); for a light truck or van the limit is \$11,160 (\$3,160 plus \$8,000).

Presidentially Declared Disaster Areas

If a casualty loss occurs in a Presidentially declared disaster area, an individual may elect to take into account the casualty loss in the year immediately preceding the year in which the disaster occurs.

Before 2008, only itemizers could deduct the casualty losses. The new law waives the 10%-of-AGI limit for victims of disasters declared to be federal disasters in 2008 and 2009, plus, for these years, permits nonitemizers to claim a deduction for federal disaster losses. **For 2009 only**, the new law boosts the \$100 per casualty limit to \$500.

401(k) Contribution Limits

The maximum amount that can be deferred to a 401(k) plan is:

2008	15,500
2009	16,500

SIMPLE IRA Limits

The maximum amount that can be deferred to a SIMPLE IRA for 2008 \$10,500.

The maximum amount that can be deferred to a SIMPLE IRA for 2009 \$11,500.

Traditional & ROTH IRA Limits

Subject to adjusted gross income limits, the maximum IRA contribution is:

2008 & Thereafter	5,000
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Health Savings Account (HSA)

The maximum annual contribution for:

	Self-Coverage Only	Family Coverage
2008	2,900	5,800
2009	3,000	5,950

Defined Contribution Plan Limits

The maximum contribution for 2008 is \$46,000.

The maximum contribution for 2009 is \$49,000.

Catch-Up Contribution Limits

Individuals age 50 years or older, can make catch-up contributions to their retirement accounts.

For all employer plans **except** a SIMPLE 401(k) or a SIMPLE IRA:

2008	5,000
2009	5,500

For SIMPLE 401(k) and SIMPLE IRA accounts:

2008	2,500
2009	2,500

For Traditional and ROTH IRA accounts:

2008 & Thereafter	1,000
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Cap on Compensation for Qualified Plans and SEPs

2008	230,000
2009	245,000

Retirement Tax Credits

A special tax credit is available for taxpayers whose adjusted gross income doesn't exceed certain levels and who makes a contribution to a qualified retirement plan (401(k), 403(b), SIMPLE, SEP, regular IRA, ROTH IRA and voluntary after-tax contributions to a qualified retirement plan). The maximum amount eligible for the credit is \$2,000. Contributions are reduced by any distributions in the year.

2008

Joint Return	Head of Household	All other filers	Credit Rate
\$0 - \$32,000	\$0 - \$24,000	\$0 - \$16,000	50%
32,000 - 34,500	24,000 - 25,875	16,000 - 17,250	20%
34,500 - 53,000	25,875 - 39,750	17,250 - 26,500	10%
Over \$53,000	Over \$39,750	Over \$26,500	0%

2009

Joint Return			
\$0 - \$33,000	\$0 - \$24,750	\$0 - \$16,500	50%
33,000 - 36,000	24,750 - 27,000	16,500 - 18,000	20%
36,000 - 55,500	27,000 - 41,625	18,000 - 27,750	10%
Over \$55,500	Over \$41,625	Over \$27,750	0%

Unified Estate Tax Exclusion

2006-2008	2,000,000
2009	3,500,000

Annual Gift Tax Exclusion

The gift tax exclusion is \$12,000 for gifts made in 2008.

The gift tax exclusion is \$13,000 for gifts made in 2009.

Charitable Donations (2008-2009)

Taxpayers age 70 1/2 or older can make direct transfers of otherwise taxable individual retirement account distributions up to \$100,000 to qualified charitable organizations and exclude the amount from gross income.