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SEPTEMBER 2008 – ESTIMATE REMINDER LETTER & TAX UPDATE

3rd QUARTER ESTIMATED TAX PAYMENTS (due Monday, September 15, 2008)

For those individuals who make quarterly estimated income tax payments, your 3rd federal and state payments are due on or before **Monday, September 15, 2008**.

YEAR-END TAX PLANNING – START NOW!

Don't wait until December to determine if you need tax planning for the year 2008. Let me know as soon as possible if you want me to review your expected 2008 income and deductions and estimate the related tax liability (and recommend any tax saving strategies for 2008 and/or 2009).

“ADJUSTED” 2008 MILEAGE RATES (cents per mile)

In recognition of gasoline price increases, the IRS made the following adjustments for the final months of 2008 (no adjustment for charitable miles). *So, keep good track of your 2008 mileage for tax time!!!*

	Jan 1, 2008- Jun 30, 2008	Jul 1, 2008- Dec 31, 2008
Business	50.5	58.5
Medical/Moving	19.0	27.0
Charitable	14.0	14.0

NEW FEDERAL TAX ACT PASSED on 7/30/2008 (The Housing Act)

- **Property/Real Estate tax deduction for ALL individuals** – For 2008 ONLY, those who take the standard deduction instead of itemizing deductions may claim an additional standard deduction for state and local property/real estate taxes paid (up to a maximum of \$1,000 for joint filers and \$500 for other filers).
- **\$7,500 tax credit (with a twist)** – First-time homebuyers get a tax credit of up to \$7,500 for buying a main home after April 8, 2008 and before July 1, 2009. To be eligible, the purchasers must not have owned a principal residence in the U.S. in the previous 3 years. The credit phases out if your income is between \$150,000 and \$170,000 for married couples (\$75,000 and \$95,000 for single filers). BUT, the credit must be paid back over 15 years, without interest, starting two years after the year the credit is claimed.
- **Some gain may be taxable on sale of a home** – Currently, the IRS allows the seller of a principal residence to exclude from taxes up to \$250,000 of profit (\$500,000 if married) if the home was owned and used by the seller as their principal residence for at least 2 of the 5 years before the sale. After 2008, some individuals who don't use their properties as principal residences for their ENTIRE ownership period may wind up paying taxes on a portion of the profit based on the ratio of the time after 2008 when their home was used as a second residence or rented out to the total time that the seller owned the house.
- **Information (Form 1099) reporting for credit card transactions** – Beginning in 2011, financial institutions will be required to annually report to the IRS the gross amount of credit cards processed for businesses.

MASSACHUSETTS – BUSINESS TAX CHANGES

- **Corporate Income Tax** – For tax years beginning on or after January 1, 2009, various corporate tax rates will be reduced and the reductions will be implemented over a period of 4 years for business corporations (from 9.5% down to 8% by January 1, 2012), financial institutions, and applicable S corporations.
- **Withholding Requirements** – Effective January 1, 2009, the Commissioner may require withholdings with respect to the distributive shares of income attributable to shareholders or members of S corporations and partnerships.
- **Employee v Independent Contractor** – The Department of Revenue has formed a new Wage Enforcement Unit within its Audit Division to identify and audit noncompliant employers with regards to worker classification.

DISCLAIMER REGARDING TAX ADVICE PER IRS CIRCULAR 230, DISCLOSURE: *To ensure compliance with requirements imposed by the IRS, this is to inform you that, to the extent that this communication (including any attachments) includes any tax advice, it is not intended or written to be used, and cannot be used or relied on, by the recipient or any other party for the purpose of 1) avoiding penalties that may be imposed by the Internal Revenue Code or 2) promoting, marketing or recommending to another party any transaction or matter communicated to you.*