

2008 Cost-of-Living Limits

IRA Contribution Limit \$5,000

IRA 50 & Over Catch-up Contribution
\$1,000

401(k) deferral limit \$15,500

401(k) 50 & Over Catch-up Contribution
\$5,000

SIMPLE Deferral limit \$10,500

SIMPLE 50 & Over Catch-up
Contribution \$2,500

Annual Compensation limit \$230,000

Defined Contribution IRC Sec 415 limit
\$46,000

Compensation limit for SEP eligibility
\$500

IRC Section 179 \$250,000

Estate Tax Exclusion \$2,000,000

Social Security Wage Base \$102,000

[2007 & Prior Year's Limits](#)

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Client Newsletter

April 2008

We've had a very busy tax season and lots of things have been happening while we've been preparing tax returns. There has been a new tax law, some new perspectives on old law, and Congress is busy working on pending tax legislation. We also want to thank our clients for another successful tax season, and provide some guidance for the current year.

Economic Stimulus Act of 2008: On February 13th, the Economic Stimulus Act of 2008 was signed into law. The new law includes three big tax breaks:

- So-called tax rebates for most individual taxpayers (however, higher-income individuals are left out).
- Enhanced Section 179 deductions for qualifying assets placed in service in tax years beginning in 2008. Under the Section 179 deduction privilege, small and medium-sized businesses can instantly depreciate most or all of the cost of qualifying new and used assets in the year they are placed in service.
- A return of the 50% first-year bonus depreciation break for new qualifying assets that are purchased and placed in service during calendar-year 2008, including new autos used for business. In addition, 50% first-year bonus depreciation can be claimed for certain longer-lived new assets that are placed in service by 12/31/09. Unlike Section 179 deductions, first-year bonus depreciation is available to large businesses, as well as small and medium-sized outfits.

For more details, click on heading and [2008 Bonus Depreciation](#)

Review of Some Tax Rules: It is always good to review the current requirements in order to take advantage of certain tax breaks. Here are some common areas that can become a problem if not properly documented or handled.

- [Charitable Contributions Substantiation Rules](#)
- [Qualified Charitable Organizations](#)
- [Cell Phones and Computers](#)
- [IRA Rollovers and the 12-Month Rule](#)
- [IRA and Retirement Plan Required Minimum Distributions](#)

Mortgage Forgiveness Debt Relief Act of 2007: The bubble has burst in many residential real estate markets. Folks who bought while the bubble was still inflating may have made 2007 sales that fell into the short sale category (sale price of less than the outstanding mortgage debt against the property), or they may even have had their homes foreclosed last year. In either case, debt discharge income (DDI) results when a mortgage lender forgives some or all of a loan balance. Thankfully, a favorable provision included in the Mortgage Forgiveness Debt Relief Act of 2007 (the "Mortgage Relief Act") may save the day for many individuals.

Do vacation homes qualify for a Like-Kind Exchange? It's not uncommon for clients to ask tax advisers if vacation homes that have been rented out and also used as personal residences (so-called mixed-use properties) can be swapped in tax-deferred Section 1031 like-kind exchanges. Until now, the honest response was a shrug of the shoulders because there wasn't any clear answer.

The general rule says you can only swap property that has been held for business or investment purposes for other like-kind property that will also be held for business or investment purposes if you want Section 1031 exchange treatment. [See IRC Sec. 1031(a)(1).] But, nobody was sure if a mixed-used vacation property could qualify as being held for business or investment purposes. Finally, we have some guidance.

[Previous Articles and Newsletters](#)

2008 Standard Mileage Rates:

Business mileage rate \$0.505/mile

Medical & Moving mileage rate \$0.19/mile

Charitable mileage rate \$0.14/mile

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Have a Question?

If you have a subject or question that you would like covered, or comment, please email us at jenny@jajonescpa.com

Depreciation and Sec 179 Deductions

1st Year depreciation limits for 2008:

Passenger Autos	Light SUVs, Trucks & Vans
\$2,960	\$3,160
Plus 50% Bonus Depreciation \$8,000	

Vehicles over 6,000lbs unloaded GVW
\$25,000

Vehicles over 14,000 lbs. unloaded GVW
\$250,000

What records must I keep and for how long?

Check out these IRS publications to help answer your questions about what records need to be kept.

Social Security

Wage Base for 2008 **\$102,000**

In 2008, Retirees under 65 may earn up to \$13,560 (\$1,130 a month). For each \$2 earned over the amount for the year, the retiree loses \$1 in benefits. Retirees turning 65 in 2008 can earn up to \$36,120 in the year without losing benefits, counting only earnings before the month they turn 65. For each \$3 earned over this limit, the retiree loses \$1 in benefits. No limit if 65 or over, effective January 1, 2000.

As you work and pay Social Security taxes, you earn "Credits", up to a maximum of 4 for each year. The amount of earnings it takes to earn a credit changes each year. In 2008, you earn one credit for each \$1,050 of your earnings. So if you have earned at least \$4,200 during the year, you get the maximum 4 credits. If you employ family members, you may want to be sure to pay them at least this amount so they earn their credits.

See www.ssa.gov for more info on Social Security and www.cms.hhs.gov for info on Medicare and Medicaid

Full Retirement Age for Social Security Benefits

Date of Birth	Full Retirement Age
1937 or earlier	65 years
1938	65 years + 2 months
1939	65 years + 4 months
1940	65 years + 6 months
1941	65 years + 8 months
1942	65 years + 10 months
1943-1954	66 years
1955	66 years + 2 months
1956	66 years + 4 months
1957	66 years + 6 months
1958	66 years + 8 months
1959	66 years + 10 months
1960 or later	67 years