



Rascal's Corner



And the winner is... STEWART SMITH! Congratulations to Stewart of Stewart Smith Associates for submitting the winning entry in our "Name the Newsletter" contest. Stewart is a longtime client of ours, as well as a longtime communication consultant for us. The judges selected *Tax Bytes* as the best submission, so Stewart will receive a \$100 gift certificate to the restaurant of his choice. *Bon Appetit*, Stewart, and please remember your pal Rascal if there are any leftovers!

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Life Insurance - Time For A Review Are You Optimizing Your Coverage?

If you haven't taken a good look at your life insurance policies lately, you may be missing out on essential information about the performance of your policies and possible benefits from more current, cost-effective coverage. A Life Insurance Review is a good way to ensure that you are getting the most benefit possible out of your life insurance coverage and that you have the right type of life insurance to meet your specific financial needs.

A Life Insurance Review begins with some basic questions:

- Have there been significant

changes in your family life? Have you recently married, divorced, or added another member to your family?

- Has there been a change in your employer-sponsored benefits?
- Has your net worth increased or decreased significantly?
- Are you planning to fund a child's college education?
- Is your retirement plan adequate to fund your future?
- Is your existing policy providing adequate coverage?
- How is your policy performing

relative to its original objective?

- Is it on track to meet intended goals?
- Are your insurance products among the most competitive and cost-effective on the market today?
- Have there been changes in the rating of your life insurance policy's carrier?
- Does term insurance coverage meet your longer-term needs?

Please call Joan Ellenbogen at 412.731.1500 if you'd like to find out whether a Life Insurance Review is right for you. ☎

Congress Passes AMT Relief President Bush Expected To Sign Bill

On December 19, 2007, in one of its last acts of the year, Congress passed a one year patch to the AMT, protecting about 20 million households from being subject to a tax hike.

President Bush is expected to sign the bill. The IRS has said that this late change in the law may cause "some delays, including delays of some refunds." ☎

Reporting Auction Income What's Taxable, What's Deductible

Many people don't realize that income they earn from auctions, traditional or online, and consignment sales is generally taxable. This income is usually considered either "business" or "ordinary" income.

Everyone must report a gain from a sale whether he or she operates a business or not. A reportable gain is the income above the original cost or basis of the item.

These gains may be business income or capital gains.



If an online garage sale turns into a business with recurring sales and purchasing of items for re-sale, it may be considered an online auction business.

Traditional or online auction and consignment sellers

in the business to make a profit can generally deduct expenses that are both ordinary and necessary. Sellers not considered to be running a business may only take deductions to the extent of income from the activity under the "hobby loss" rules.

If you have any questions about reporting auction income, please contact our office. ☎

The CrawfordEllenbogen crew wishes all of our clients, friends, and associates a wonderful holiday season and a happy, healthy, and prosperous New Year.



Social Security Wage Base, Benefits Rising in 2008 Millions Will Pay Higher Taxes, Others Will Receive Greater Benefits

The maximum amount of earnings subject to Social Security tax will rise to \$102,000 in 2008. The maximum an employee will owe to satisfy Social Security taxes in '08 will be \$6,324. Nearly 12 million workers will pay higher Social Security taxes as a result of this

increase. All earnings continue to be subject to Medicare tax, with the rate remaining constant at 1.45%.

At the same time, monthly Social Security and Supplemental Security Income benefits will increase 2.3 percent in 2008.

The 2.3 percent Cost of

Living Adjustment (COLA) will begin with benefits that nearly 50 million Social Security beneficiaries receive in January 2008. Of course simultaneous increases in Medicare drug-plan charges may limit the net benefit. ☞

IRS Offers Relief for Late S-Corporation Elections

New Process Is Easier

Businesses that are eligible to elect S-corporation tax treatment now have a simpler process for requesting relief for late elections under a change announced by the Internal Revenue Service. *Revenue Procedure 2007-62* allows small businesses that missed filing *Form 2553, Election by a Small Business Corporation*, before filing their first *Form 1120S, U.S. Income Tax Return for an S Corporation*, to file both

forms simultaneously. This change is effective for taxable years that end on or after December 31, 2007.

Previously, taxpayers had to submit *Form 2553* along with a statement explaining the reasons for the late election. The new guidance provides a simplified method to request relief by permitting taxpayers to file their first *Form 1120S* along with *Form 2553* and include the statement on the form. This late

election is not automatic and may be denied.

The new procedure will reduce taxpayer burden by allowing the agency to process a properly completed tax return and its election without delays or additional contacts with taxpayers to resolve the issue of a missing election.

PA has not yet revised its rules on this matter. ☞

Revised Form I-9 For New Hires

Employers Must Comply After December 26, 2007

On November 26, 2007, the Department of Homeland Security published a new version of Form I-9. Employers are allowed a 30-day period to transition to the new form, but compliance is mandatory after December 26, 2007.

Employers will only be required to use the new form for new hires. It is not required for existing employees, unless they must undergo employment reverification after December 26, 2007.

Under the new rules, employees are no longer

required to provide Social Security numbers when completing the new version of Form I-9, unless the employer participates in the e-Verify program. To download the new Form I-9, go to <http://www.uscis.gov/i-9>. ☞



Introducing Barb Wagner, CPA New Manager at CE

Barb has taken both a long road and a short road on her way to joining the CE crew. The long road first: She began her career as a fraud investigator and started taking accounting courses to assist her with the financial aspects of fraud investigations. Loving the accounting courses so much, she pursued a Certificate in Accounting

and added the CPA designation to her other academic credentials, a master's degree and a bachelor's degree, *summa cum laude*, in criminology.

Barb has more than sixteen years of experience in public accounting, small business and nonprofit operations and will provide planning, tax-compliance, litigation sup-

port, consulting services, and bookkeeping advisory services to closely held business, their owners and families, other individuals, and non-profits.

Barb is an Edgewood resident and can walk to work, since she lives just two blocks from CE's office. Now THAT'S a short road to work. ☞

Honda Civic Hybrid CVT Certified as Qualified Hybrid

The Internal Revenue Service has acknowledged the certification by American Honda Motor Company, Inc., that its Model Year 2008 Honda Civic Hybrid CVT meets the requirements of the Alternative Motor Vehicle Credit as a qualified hybrid motor vehicle. The credit amount for the 2008 Honda Civic Hybrid CVT is \$2,100.



Please note, however, that hybrid credits are subject to reduction based on the car manufacturer's production volume.

A number of other vehicles have also been certified by the IRS. Please contact us with your questions about a particular model. ☞

New 2008 Standard Mileage Rates

The IRS issued the 2008 optional standard mileage rates used to calculate the deductible costs of operating a motor vehicle. They are as follows:

- Business use: 50.5¢/mile
- Medical use: 19.0¢/mile
- Moving use: 19.0¢/mile
- Charitable use: 14.0¢/mile



If you have any questions about the articles in this newsletter or other tax or accounting matters, please contact our office.

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