



## RASCAL'S CLOSING CORNER



SEPTEMBER 7, 1996 -  
OCTOBER 17, 2008

### A Fond Farewell Celebrating Rascal's Life

He loved greeting everyone when he arrived in the morning. He welcomed each new arrival, always happy to visit with old friends and to make new acquaintances. He was available for hugs at all times. His love was unconditional [although treats were always welcome!]. He had his own business cards, but never learned to hand them out. He received faxes! He learned the office politics and unlearned many of his 'table' manners. He found an escape from the backyard and made his way to the street, or rather, down the street! He provided entertainment and solace, a sense of belonging and tranquility.

These were a few of the unintended consequences of my decision to bring Rascal to the office 5 1/2 years ago. He worked hard over the years, but always made it seem so easy, so effortless. He was a great listener and his patience was never ending. I never realized he would make such a difference. I'm thankful for the lessons he taught me and for the gift of spending time with him. I'm also thankful to everyone who brought so much joy to his life.

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## Tax Law Changes for Individuals

### AMT Patch and Incentives Extended

On October 3, 2008, President Bush signed into law The Emergency Economic Stabilization Act of 2008. In addition to the financial bailout provisions, this law included an alternative minimum tax [AMT] patch and extended a number of expiring tax provisions, some retroactively to 2008.

**AMT Patch** Under the new law, the 2008 AMT exemption amounts are as follows:

FILING STATUS	Joint	Single and Head of Household	Married Filing Separately
2008 EXEMPTION AMOUNT	\$69,950	\$46,200	\$34,975

This patch is only for 2008 and is designed to insulate middle-income taxpayers from AMT.

**Extended Provisions for Homeowners** The rescue plan extends a temporary rule for cancellation of indebtedness income. When a foreclosed home is sold for less than the mortgage balance, the lender can forgive all or a part of excess mortgage debt. This forgiven debt is treated as taxable income to the homeowner. The 2007 Mortgage Forgiveness Debt Relief Act excludes



up to \$2 million of debt forgiveness from federal taxable income. The new law extends this treatment through 2012.

**Individual Tax Incentives** Several individual tax incentives expired at the end of 2007. The new law makes these following provisions retroactive for 2008 and extends them through December 31, 2009:

- **State and Local Sales Tax Deduction** - Individuals can deduct state and local general sales taxes in lieu of state and local income taxes. Taxpayers can calculate their deduction by either saving sales receipts or using the Optional State Sales Tax Tables provided by the IRS.

- **Higher Education Tuition Deduction** - This deduction allows eligible taxpayers to deduct the cost of higher education expenses paid for themselves, a spouse or a dependent. The maximum deduction is \$4,000 for married taxpayers with an adjusted gross income below \$130,000 (\$65,000 for single filers).

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## Rethinking Planning

### Taking the Long View of your Financial Life

Planning means something different to everyone. It can revolve around an immediate need, such as year end planning to minimize taxes, or focus on a future need, such as college education, retirement or long term care. Often planning is accomplished in disconnected pieces, for example, choosing a 401(k) deferral percentage, saving money for college or purchasing a life insurance policy. This type of planning is generally better than doing nothing, but it may leave you and your family with more risk than you intended.

There's another type of planning, a process, based on an organized, coordinated and integrated model – a *macro* approach to your financial life. Instead of making economic decisions one at a time in an isolated, *micro* manner, this model helps you better understand the fiscal effect of decisions you make. Once populated with your specific details, the model illustrates your entire

financial life on one page, allowing you to observe the big picture. Using whatever assumptions you would like about tax rates, inflation and earnings, the model will project a snap shot of your financial life at any point in the future. In addition, specific assets, debt and/or financial instruments can be analyzed in-depth at any point in time, based on assumptions you choose.

Even before the financial crisis there were concerns that large segments of our population were ill-prepared to finance their retirement. Perhaps the current turbulent economic times are just the wake-up call we need! Now is a great time to take stock of your financial life and to plan for the future financial security of yourself and your family. For more information about growing and protecting your financial future, please call us. ☎

## Tax Law Changes for Individuals, continued

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• **Teachers' Classroom Expense Deduction** - Teachers and other education professionals can deduct [regardless of whether or not they itemize] up to \$250 of certain classroom expenses, including books, supplies and software.

The new law also extends the **Additional Standard**

## The New Form 990

### What you need to know

After an extensive drafting process, the Internal Revenue Service has recently released the new Form 990.

Largely untouched since 1979, the structure now allows the organization to "tell its story" through an eleven page core form. The revisions reflect three main guiding principles: enhancing transparency, promoting tax compliance and minimizing burden on the filing organization.

In efforts to enhance organizational transparency, a large emphasis is now placed on governance as it pertains to composition of the organization's governing body, its governance and management policies and its disclosure practices. Although this information is not required by federal tax law, the role of governance is especially important when considering whether to adopt or revise policies or practices. It forces the organization to evaluate its story and consider its own facts and circumstances – size, type and culture.

Sixteen schedules have been created in conjunction with the core Form 990 to be completed on an as needed basis by the organization, replacing

**Deduction for Real Property Taxes** for non itemizers through 2009. This provision was previously available for the 2008 tax year only and provides for an additional real property standard tax deduction of up to \$1,000 for married taxpayers [\$500 for single filers].



"unstructured attachments." Focused on adequately promoting tax compliance, the schedules are designed to help take the guess work out of defining the laws and policies behind the Form 990 and allow an organization to clearly complete what is applicable.

To help minimize the burden, new thresholds and exceptions have been placed on many types of transactions for reporting purposes. Examples include the reporting thresholds for the five highest compensated employees, and the reporting of independent contractors have been raised from \$50,000 to \$100,000.

Also, the new form is being implemented over a three year period. Initially, organizations with more than \$1 million in gross receipts and \$2.5 million in assets need to file. Organizations that do not meet these thresholds will be able to file Form 990-EZ. The Form 990-EZ remains unchanged. Thresholds are reduced in years two and three.

This longer rollout will give smaller organizations more time to adopt the new form.



## Barb Wagner, CPA, CFE

### Certified Fraud Examiner

Going back to her early career roots, CE is pleased to announce that Barb has been designated a Certified Fraud Examiner by the Association of Certified Fraud Examiners, the world's leading organization for fraud detection-and-deterrence training and education. Wagner heads the fraud-investigation practice and oversees bookkeeping and accounting systems services at CrawfordEllenbogen.

Beginning her professional career as a fraud investigator for the Pennsylvania Supreme Court Discipline Board and Pennsylvania's Treasury Department, Wagner developed a knowledge of related law, financial analysis and the motivational factors in fraud, as well as investigative skills and experience.

In addition to her CPA and CFE credentials, she holds a master's degree and a bachelor's degree, *summa cum laude*, in criminology from Indiana University of Pennsylvania. She also holds a certificate in accounting from the University of Pittsburgh.



Fraud investigation may include analysis of financial records when wrong-doing is suspected, development of lines of inquiry, interviews and other information-gathering, preparation of reports, advice about findings, and court testimony.

## LITE BYTES

### Equality for Cyclists



Bicycle commuters can now receive a tax free fringe benefit in 2009 from employers. As part of the 'bailout' package passed in October, employees can receive up to \$20 a month for the costs of pedaling to work (repairs, storage, etc.).

### 'Extra Credit'



Some taxpayers may still be due an economic stimulus payment credit because of a drop in 2008 income or the birth of a child. Look for a new line on the 2008 Form 1040 – in conjunction with a 29-line worksheet – to claim it.



from all of us



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

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