

Certified Public Accounting and Consulting • (630) 653-3510 • Fax (630) 653-3508 • www.grebeassoc.com

It is an understatement to say that 2008 has been a challenging year for the U.S. economy. Our lawmakers have responded with unprecedented intervention beginning with the Economic Stimulus Act and continuing with the current financial rescue plan for mortgage-backed securities. This newsletter highlights changes enacted by the US Government in direct response to the current economic crisis as well as other notable tax changes.

HOUSING AND ECONOMIC RECOVERY ACT OF 2008

This legislation, effective 7/30/2008, was the first written to address the subprime mortgage crisis. Highlights affecting individual taxpayers are:

- **First-Time Home-Buyer Credit** - Though not considered a tax credit, the Housing and Economic Recovery Act provides what equates to an interest-free loan from the government with certain provisions. For homes purchased as a principal residence from 4/9/2008 - 6/30/2009, a first-time homebuyer is eligible for a tax credit depending on filing status and adjusted gross income. The credit is repaid in equal installments over 15 years through a surcharge on your annual income tax. Repayment begins the second year after claiming the credit. If the home ceases to be your primary residence within the 15 year period, the balance of the credit must be repaid in full in that tax year.

- **Increase in Standard Deduction** - For homeowners who don't itemize deductions, the standard deduction is increased by the lesser of the amount of real property taxes paid allowed or \$500 for MFS / \$1,000 for MFJ.

EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

This legislation, effective 10/3/2008, authorizes the U.S. government to spend up to \$700 billion to bail out the nation's financial institutions by purchasing troubled mortgage-backed securities with the intent of reducing potential losses by the institutions owning those securities. The ultimate goal is to stabilize U.S. financial firms and markets avoiding a potential collapse of the U.S. economy.

GENERAL HIGHLIGHTS

- Secretary of Treasury will manage \$700 billion bail-out program titled "Troubled Asset Relief Program".
- Program is designed to enable foreclosure avoidance and homeowner assistance for affected mortgages.
- Invokes executive pay limits under certain scenarios.
- FDIC deposit insurance is increased from \$100,000 to \$250,000 from 10/3/2008 through 12/31/2009.

TAX SPECIFIC HIGHLIGHTS

- Alternative Minimum Tax (AMT) patch *extended* for 2008. Unlike 2007 filing, changes needed to accommodate the AMT patch will be reflected in 2008 tax forms.
- Education Deduction *extended* through 2009 - Qualified teachers will continue to receive up to a \$250 deduction for classroom supplies.
- State & Local Sales Tax deduction *reinstated* through 2009 - allows taxpayers to choose either an itemized deduction for state income taxes or one for general sales tax on Federal returns.
- Qualified Tuition Deduction *reinstated* through 2009.
- Charitable deduction from IRA Plans *extended* through 2009. Taxpayers older than 70½ will be allowed to transfer up to \$100,000 tax-free to a qualified charity from their IRA.

Continued...

This newsletter highlights only some of the changes made by lawmakers affecting 2008 tax preparation. This year, unlike any other, has seen dramatic change in political and economic conditions. I believe it is safe to say that everyone has personally been affected. Be assured that we are dedicated to partnering with you to maximize income retention by minimizing tax payment. Professional tax preparation is a necessity given the array of tax-impacting changes enacted in 2008. Believing this and understanding that cost-cutting has become the norm for many, I am committed to keep your preparation costs at 2007 tax year levels assuming similar preparation effort.

On a separate note, I am excited to announce the start up of a new company designed to assist seniors in maximizing and maintaining an independent lifestyle. The Senior Financial Group is a team of experienced professionals who provide personal, hands-on services at the convenience of their clients. Visit www.seniorfg.com for more information including a complete list of services and contact information.

I would once again like to thank you for the trust placed in services offered by our firm. We take great pride in providing you the best service possible and hope to continue doing so in 2009. I encourage you to start preparing now for 2008 tax filing. As you do, do not hesitate to contact us with any questions.



If you'd like to come in and meet personally, please call to schedule an appointment or contact us via email at jtgrebe@grebeassoc.com.

Visit our website...

www.grebeassoc.com

for additional information on business, tax, financial planning and other helpful issues, including a library of previous newsletters.



Park East Office Center
 1749 S. Naperville Road, Suite 203
 Wheaton, IL 60189-5892

Tax Specific Highlights continued...

- Energy-Savings Tax Credits *reinstated* - thirty energy savings tax credits are back in place.
- Child Tax Credit *modified* - The earned income threshold drops from \$12,050 to \$8,500, the definition of "qualifying" child changes and the credit is now tied to the child dependency exemption. The bottom line is that more of this credit is refundable.

MILEAGE RATE CHANGES

In response to increasing fuel costs, the IRS has increased mileage allowance rates for the last six months of 2008.

	Allowance Rate 1/1/2008-6/30/2008	Allowance Rate 7/1/2008-12/31/2008
Business	50.5 cents	58.5 cents
Charitable	14.0 cents	14.0 cents
Medical/Moving	19.0 cents	27.0 cents

2008 TAX NUMBERS

- Standard Deductions
 - Single \$ 5,450
 - Married Filing Jointly or Qualified Widow(er) \$ 10,900
 - Married Filing Separately \$ 5,450
 - Head-Of-Household \$ 8,000
- Personal/dependent exemption \$ 3,500
- Kiddie Taxable Income \$ 1,800
- Social Security/Self Employed Wage Base \$ 102,000
- Medicare Wage Base No Limit
- AGI level for limiting itemized deductions:
 - Single/MFJ/Head-of Household \$ 159,950
 - Qualified Widow(er)
 - Married Filing Separately \$ 79,975

BEGIN 2008 TAX PREPARATION NOW!

As we incorporate changes enacted by lawmakers, it is important to prepare for 2008 tax preparation by assessing your current tax status and taking appropriate steps to maximize income retention by minimizing tax payment. This basic philosophy remains a constant in effective tax planning. Strategies to consider:

- Cut capital gains percentage rate by reducing taxable income as low as possible.
- Harvest capital losses before year end to receive tax benefit.
- Maximize 401k and IRA contributions including Roth IRA.
- Consider donating appreciated stock to an approved charity.
- Complete your charitable giving by 12/31/08 and make sure you have required documentation for contributions.
- Maximize use of Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA).
- Adjust federal income tax withholding to avoid under payment penalty.
- Consider the impact of the Alternative Minimum Tax when planning.
- Business owners need to take advantage of tax breaks for equipment and software purchases.
- Taxpayers age 70 ½ and older must take required minimum distributions as defined by their retirement plans.

SECURITIES OFFERED THROUGH WORLD EQUITY GROUP, INC. (WEG), MEMBER NASD/SIPC,
 1650 N. ARLINGTON HEIGHTS RD., SUITE 100, ARLINGTON HEIGHTS, IL 60004 (847) 342-1700
 WEG DOES NOT GIVE LEGAL AND TAX ADVICE.

GREBE & ASSOCIATES, P.C. IS A SEPARATE ENTITY FROM ANY MEMBER OF WORLD EQUITY GROUP, INC.