

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

TAX SEASON 2009 – HERE WE GO AGAIN

Unfortunately it is that time of year again when we must all file our income tax returns. I thought it would be a good time to review some provisions pertinent to 2008.

Increase in IRA Limitation

For the tax year 2008 taxpayers are allowed to deduct \$5,000 for traditional IRAs (up from \$4,000 in 2007). In addition, for taxpayers age 50 and over there is an additional \$1,000 “catch-up” adjustment allowed. There are certain income limitations for employees covered by an employer’s retirement plan and traditional IRAs are not available to individuals who have attained age 70½ by the end of 2008. While IRAs provide a current deduction on your income tax return, they are taxed upon withdrawal.

These same \$5,000 and \$1,000 limits also apply to Roth IRA accounts. Roth IRAs do not have the age limitations of traditional IRAs; however the amount allowed phases out for single individuals with adjusted gross income (AGI) between \$95,000 and \$110,000, \$150,000 and \$160,000 for joint filers and \$0 and \$10,000 for married individuals filing separate returns. Roth IRAs provide no current deduction on your income tax return; however they are not taxed when withdrawn.

Economic Stimulus Payments

Although most people received their economic stimulus rebates during 2008, these rebates are actually advanced rebates and will be calculated based upon taxpayers’ 2008 income tax returns.

If a taxpayer received the maximum refund in 2008 (generally \$600 for an individual, \$1,200 for married joint filers and \$300 per qualifying child), then they cannot receive any additional money based on their 2008 return. If, however, their rebate was reduced based on an income limitation in 2007 and their income was less in 2008 they may receive additional money. For example married taxpayers with two children and AGI of \$170,000 in 2007 would have been eligible for a rebate of \$1,800 (\$1,200 for married joint filers and \$300 per child), however their rebate was reduced by \$1,000, 5% of \$20,000 (the amount their AGI exceeded the \$150,000 limit). If they have a lower AGI in 2008 they are eligible to receive an additional refund up to \$1,000. If your 2008 income tax return calculates a lower rebate than received in 2008, no repayment of the excess is required.

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Increase in Standard Deduction for Real Estate Taxes

Individuals either itemize their deductions or report their taxes using the standard deduction. In 2008 the standard deduction for a single taxpayer paying real estate taxes and unable to itemize is increased by the lesser of his/her real estate taxes or \$500 (\$1,000 on a joint return).

Standard Mileage Rate

As discussed in a previous article, taxpayers are permitted to deduct either actual automobile expenses or a standard mileage rate. The standard mileage rate for 2009 is generally 55 cents per mile. Keep in mind the mileage must be for business purposes.

Conclusion

This article gives only a few tips for filing your return. To say that there are many additional provisions included in the law that can affect your tax return is a huge understatement. Care must be taken to ensure proper compliance. Once again if you're not sure of the rules, then check with a tax professional.