

# LEVIN, SILVEY, ZELKO & MACKEY, P.A.

*Certified Public Accountants*

MITCHELL H. SILVEY, CPA  
ROBERT A. ZELKO, CPA  
BONNIE L. MACKEY, CPA, CSEP

2699 STIRLING ROAD, SUITE B-205  
HOLLYWOOD, FLORIDA 33312-6543  
(954) 985-8808  
(954) 985-8839 (FAX)  
WWW.LSZCPA.COM

## Tax Strategies for 2008

The "hottest" topic in the news is the most recent "American Housing Rescue and Foreclosure Prevention Act of 2008," signed July 30<sup>th</sup>. Not only designed to assist individuals with tax credits and deductions, but some tax changes for businesses as well.

Are you a first-time home buyer? If so, you might be eligible for an "interest-free" loan from the government! For married couples, a "tax credit" of \$7,500 (or 10%, if home costs less than \$75,000) may be taken on their 2008 tax return. This is also a refundable credit! Single individuals may be eligible for \$3,750. The home must be purchased between April 8, 2008 and July 1, 2009. If the purchase is in 2009, the credit may be taken in 2008. Here's the "catch": The credit (loan) will be paid back over the next 15 years; however, if the principal residence is sold during the 15 year period, the balance owing on this "interest-free" loan will be due. Not so bad.

For those non-itemizers (ie. standard deduction), a property tax deduction is available for 2008 only. This will be up to a \$1,000 increased standard deduction for married couples or up to \$500 for single individuals.

The new act also has provisions for AMT (alternative minimum tax) relief. Both individuals and businesses will be entitled to an income tax credit for constructing low-income housing or rehabilitation of older buildings. The new provisions allow this credit to be taken against AMT, which was not the case for 2007. Certain tax-exempt interest from private activity bonds is also subject to AMT; however, for purchases after July 30, 2008, the following three classes are exempted from AMT:

- Certain exempt facility bonds used 95% for residential rental projects
- Qualifying mortgage bonds
- Qualifying veterans' mortgage bonds

During February 2008, the Economic Stimulus Act of 2008 was signed. In addition to the Stimulus Rebate checks for individuals, this act affords businesses a first-year bonus depreciation of 50% for most personal property and software put into service during 2008. For those struggling corporations not able to take advantage of the bonus depreciation, the Housing Act allows them highly specialized alternative credits for research and minimum tax.

In order to boost the economy struggling from high gas prices, the standard business mileage allowance was increased from 50.5 cents to 58.5 cents per mile, as of July 1, 2008. Likewise, the mileage allowance for medical care and moving expenses was increased to 27 cents per mile from 19 cents.

The second quarter of 2008 also brought about an updated version of IRS Publication 4681 dealing with canceled debt, foreclosures, repossessions and abandonments. The Mortgage Relief Act allows taxpayers to exclude up to \$2 million of mortgage debt forgiveness on their principal residence, effective for indebtedness discharged between January 1, 2007 and December 31, 2009. Normally, a taxpayer would recognize taxable income when debt is forgiven. However, the aforementioned exclusion is claimed by attaching a completed form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness to their return.

Please keep in mind that I've described only the highlights of some recent 2008 tax changes and the Housing Act. If you would like more details, please call our offices at your earliest convenience.

**August 2008**