

# K. K. MEHTA CPA PC

## CERTIFIED PUBLIC ACCOUNTANTS

### TAX NEWSLETTER

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#### ***What's New in Income Tax Act for 2008***

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#### **Changes due to the Economic Stimulus Act of 2008:**

##### **Business Autos:**

Depreciation for Luxury Auto Purchased in 2008 has been increased to \$ 10,960 from \$2,960

More liberal rule still apply to Heavy SUVs. (25K deduction)

The standard mileage rate has been increased to 50.5 cents per mile.

There are still tax credits available for hybrid cars.

##### **Sec 179 Depreciation:**

Upto \$250,000 of any furniture of machinery etc., bought for business use in 2008 can be expensed in the same year. This applies even if you have financed the furniture or equipment. Just make sure it is not a lease but a purchase.

The phase out limit has also increased from 400K to 800K.

##### **Other Changes:**

- 50% bonus depreciation is also available for qualified property in 2008.
- Tax credit of upto \$ 7,000 for taxpayers who buy foreclosed single family homes and use them as their principal residence.
- A new standard deduction for property taxes paid by non itemizers of \$ 500 for single filers and \$ 1000 for joint filers.
- Extension of net operation loss (NOL) carryback for losses incurred in 2008 and 2009 from 2 years to 4 years.
- IRA deduction can be claimed by a taxpayer even if covered by a Retirement plan if the AGI is less than 105K (married joint)
- The limit for Jumbo loans have also increased from 417K to 729K.

## What's New in Income Tax Act for 2008

- 1. Forgiveness of mortgage debt:** For debts discharged after Jan 1, 2007 and before Jan 1, 2010 taxpayers can exclude upto 2 million of mortgage debt forgiveness on their principal residence.
- 2. Capital gain tax rate reduced:** For taxpayers who are in the 10% or 15% bracket the long term capital gains rate has been reduced to zero.
- 3. Kiddie tax broadened:** For tax year after May 17<sup>th</sup>, 2007 the tax law expanded the kiddie tax to apply to children age 18, and children over 18 but under 24 who are full time students—if their earned income doesn't exceed one-half of their total support.
- 4. Homesale exclusion for surviving spouse liberalized:** A surviving spouse can claim \$ 500,000 exclusion on sale of principal residence upto 2 years after the death of the spouse provided conditions are met.

## What are your chances of being audited

IRS has issued its annual data book which provides the statistical data.

Of a total of 134.5 million individual returns a total of 1,384,563 were audited during FY 2007.

Only 12% of the returns audited were with no changes.

For selected non corporate returns – like Sch C—self employed people the rate for audit was as high as 4 %.

S corporations audit were 0.5% of the total

Partnerships and LLC's – the rate of audit was 0.4%

Estate tax returns the audit rate was 7.7%

Corporations with 10 M or more in assets, the rate was 16.8%.

Let us know if you would like to receive future issues of our newsletters by e-mail. All we need is your email address. Please either fax your request to our office, attention : Rajesh at 516 – 663 – 5996 or email us at [info@kkmehtacpa.com](mailto:info@kkmehtacpa.com) or just talk to Rajesh at 516 – 663 – 5990 x 20. Its just as simple as that.

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