

Taxing Times

Tax information for clients and friends of Stambaugh Ness, PC



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IN THIS ISSUE

1. Real Estate Deduction for Non-Itemizers
2. Required Minimum Distributions
3. New PA Tax Credit for Volunteers
4. Increased Penalties
5. Depreciation Reminder

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**Tax Supervisor
Kevin Eisenhart, CPA**

By Tax Supervisor Kevin Eisenhart, CPA
and Tax Specialist Crystal Martin

As we greet the New Year, we're also taking stock of changes in our tax laws that will affect all of us financially in the coming months. Here are some important updates to keep in mind as you prepare your 2008 taxes and plan for 2009.

INDIVIDUAL TAXES

REAL ESTATE TAX DEDUCTION FOR NON-ITEMIZERS

Not itemizing your deductions? Take advantage of a new property tax deduction for non-itemizers.

The *2008 Housing Act* provides relief for homeowners who choose not to itemize their deductions. Beginning with the 2008 tax year, there is an additional standard deduction available for state and local real estate taxes paid. The additional deduction is the amount of property taxes paid up to \$1,000 (married filing joint) or \$500 (other individuals).

This provision has recently been extended through 2009 by the 2008 Stabilization Act.

CRYSTAL'S OBSERVATION:

"Many deductions and credits are sometimes overlooked by taxpayers who do not itemize their deductions."

REQUIRED MINIMUM DISTRIBUTIONS

Due to the significant drop in retirement account values, the *Worker, Retiree, and Employer Recovery Act of 2008* suspended required minimum distributions (RMD's) from 401(k) plans, IRA's, and similar retirement plans for 2009. Retirees will now have the opportunity to recover their losses as the market improves. This also applies to beneficiaries withdrawing their required minimum distributions under the 5-year schedule after the death of an account holder.

However, the new law did not waive the 2008 required minimum distribution.

NEW PA TAX CREDIT FOR VOLUNTEERS

The Volunteer Responder Retention & Recruitment Tax Credit provides qualified active volunteer ambulance, fire and rescue personnel a credit of up to \$100 against their Pennsylvania Personal Income Tax liability. This



Tax Specialist
Crystal Martin

Stambaugh Ness, PC

2600 Eastern Boulevard
Suite 101
York, PA 17402

Phone:
717-757-6999
800-745-8233
Fax: 717-757-4550

252 Frederick St.
Hanover, PA 17331

Phone:
717-637-7131
888-220-6033
Fax: 717-637-1943

credit is available for 2008 only. However, if the credit is limited by the individual's tax liability, it may be carried forward.

Eligibility of volunteers for the credit will be determined based upon certification by their designated supervisor or chief under a point system approved by the State Fire Commissioner and State EMS Director.

CORPORATE TAXES

INCREASED PENALTIES

In an effort to offset the individual incentives discussed above, the *Worker, Retiree, and Employer Recovery Act of 2008* increased the failure to file penalties for S Corporations and Partnerships. The penalty has increased to \$89 per partner or shareholder per month for a maximum of twelve months (up from \$85 under prior law).

DEPRECIATION REMINDER

The *Economic Stimulus Package* passed early 2008 provides qualifying taxpayers 50 percent first-year bonus depreciation of the adjusted basis of qualifying property. In addition to bonus depreciation, the asset expensing provisions of Code Section 179 were doubled to \$250,000 for 2008.

It is important to note that although these tax incentives provide opportunities to save on your 2008 federal tax bill, a majority of the states, including Pennsylvania and Maryland, have decoupled from these provisions.

When calculating your state tax liability, keep in mind that each state has its own rules regarding depreciation. This may require you to keep a separate set of depreciation records for each state in which you file tax returns.

More details are available from:

- **Your SNPC tax professional or on the [IRS website](#) where you may also access ...**
- **[2009 tax-related information and downloads](#) in addition to ...**
- **[A comparison of 2008 and 2009 tax information.](#)**

For more information about any of these tax topics or other tax concerns, please contact Kevin or Crystal or your own SNPC tax professional at 717-757-6999/800-745-8233. You may also reply to this email.