IRA rules for 2008 from 3

$100,000 to make such a conversion and the taxpayer must not be a married individual filing a separate return.

401(k) Contribution: The § 401(k) elective deferral limit is $15,500 for 2008. If your 401(k) plan has been amended to allow for catch-up contributions for 2008 and you will be 50 years old by December 31, 2008, you may contribute an additional $5,000 to your 401(k) account, for a total maximum contribution of $20,500($15,500 in regular contributions plus $5,000 in catch-up contributions).

SIMPLE Plan Contribution: The SIMPLE plan deferral limit is $10,500 for 2008. If your SIMPLE plan has been amended to allow for catch-up contributions for 2008 and you will be 50 years old by December 31, 2008, you may contribute an additional $2,500.

Catch-Up Contributions for Other Plans: If you will be 50 years old by December 31, 2008, you also may contribute an additional$5,000 to your § 403(b) plan, SEP or eligible § 457 government plan.

Saver's Credit: A nonrefundable tax credit is available based on the qualified retirement savings contributions to an employer plan made by an eligible individual. For 2008, only taxpayers filing joint returns with AGI of $53,000 or less, head of household returns with AGI of $39,750 or less, or single returns (or separate returns filed by married taxpayers) with AGI of $26,500 or less, are eligible for the credit. The amount of the credit is equal to the applicable percentage (10% to 50%, based on filing status and AGI) of qualified retirement savings contributions up to $2,000.

Deduction Planning

Individual Deductions

Deduction timing is also an important element of year-end tax planning. Deduction planning is complex, however, due to factors such as AGI levels and filing status. If you are a cash-method taxpayer, remember to keep the following in mind:

Deduction in Year Paid: An expense is only deductible in the year in which it is actually paid.

Payment by Check: Date checks before the end of the year and mail them before January 1, 2009.

Promise to Pay: A promise to pay or providing a note does not permit you to deduct the expense. But you can take a deduction if you pay with money borrowed from a third party. Hence, if you pay by credit card in 2008, you can take the deduction even though you won't pay your credit card bill until 2009.

State Taxes: If you anticipate a state income tax liability for 2008 and plan to make an estimated payment, consider making the payment before the end of 2008. Note that in 2008, you can elect to deduct as an itemized deduction state and local sales taxes instead of state and local income taxes. New for 2008, taxpayers who do not itemize their deductions can deduct up to $1,000 if filing jointly or up to $500 for single taxpayers for property taxes. This benefit is in the form of an additional standard deduction.

Charitable Contributions: Consider making your charitable contributions at the end of the year. This will give you use of the money during the year and simultaneously permit you to claim a deduction for that year. You can use a credit card to charge donations in 2008 even though you will not pay the bill until 2009. A mere pledge to make a donation is not deductible, however, unless it is paid by the end of the year. Note, however, for claimed donations of cars, boats and airplanes of more than $500, the amount available as a deduction will significantly depend on what the charity does with the donated property, not just the fair market value of the donated property. If the organization sells the property without any significant intervening use or material improvement to the property, the amount of the charitable contribution deduction cannot exceed the gross proceeds received from the sale.

To avoid capital gains, you may want to consider giving appreciated property to charity.

Regarding charitable contribution please remember the following rules: (1) no deduction is allowed for charitable contributions of clothing and household items if such items are not in good used condition or better;(2) the IRS may deny a deduction for any item with minimal monetary value; and (3) the restrictions in (1) and (2) do not apply to the contribution of any single clothing or household item for which a deduction of $500 or more is claimed if the taxpayer includes a qualified appraisal with his or her return. Charitable contributions of money, regardless of the amount, will be denied a deduction, unless the donor maintains a cancelled check, bank record, or receipt from the donee organization showing the name of the donee organization, and the date and amount of the contribution.

The ability to distribute to charity up to $100,000 from a traditional or Roth IRA maintained for an individual whose has reached age $70^1/_2$ continues into 2008. Ordinarily, such distributions would be taxable to the individual, who would not be able to offset the income fully because of the percentage limitations on charitable contribution deductions.

Investment Planning

The following rules apply for most capital assets in 2008:

Capital gains on property held one year or less are taxed at an individual's ordinary income tax rate.

Capital gains on property held for more than one year are taxed at a maximum rate of 15% (0% if an individual is in the 10% or 15% marginal tax bracket-reduced from 5% in 2007).

Timing of Sales: You may want to time the sale of assets so as to have offsetting capital losses and gains. Capital losses may be fully deducted against capital gains and also may offset up to$3,000 of ordinary income ($1,500 for married filing separately). In general, when you take losses, you must first match your long-term losses against your long-term gains, and short-term losses against short-term gains. If there are any remaining losses, you may use them to offset any remaining long-term or short-term gains, or up to $3,000(or $1,500) of ordinary income. When and whether to recognize such losses should be analyzed in light of the changes in the capital gains rates applicable to your specific investments.

Dividends: Qualifying dividends received in 2008 are subject to rates similar to the capital gains rates. Therefore, qualifying dividends are taxed at a maximum rate of 15%. Qualifying dividends includes dividends received from domestic and certain foreign corporations.

Selling Your Home: A crucial planning device is in play for the end of 2008 if you plan on selling your principal residence that you once rented out or used as a vacation property. Beginning in 2009, the time you spent renting out your residence or using it as a vacation property will not be eligible for the generous exclusion from income on the gain from selling one's principal residence. There are some exceptions to this rule, and if you plan on selling your residence after 2008 that you are renting or using as a vacation property, we'll need to talk about the tax ramifications of this new law.

Social Security

Depending on the recipient's modified AGI and the amount of Social Security benefits, a percentage — up to 85% — of Social Security benefits may be taxed. To reduce that percentage, it may be beneficial to defer receipt of other retirement income. One way to do so is to elect to receive a lump sum distribution from a retirement plan and to rollover that distribution into an IRA.

If you have additional questions about the ideas mentioned here and/or the many other strategies available to you, they may be directed to me at 800-CPA-KROL (272 -5765), or you may write to:

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