



"Giving" Advice



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ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors

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Tips for Navigating the New 2008 Tax Rules

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Los Angeles Times
February 8, 2009

By Kathy M. Kristof

If you thought it was daunting to file a federal tax return last year, this year's filing season will give you the willies.

Congress passed five major tax bills in 2008, making about 500 changes affecting parents, homeowners, philanthropists and disaster victims, among others. Half a dozen new tax breaks went into effect; some can be confusing.

Here are some things to keep in mind as you deal with your taxes.

Got Stimulus?

The most widely misunderstood new tax break is the recovery rebate credit, according to the Internal Revenue Service. That's because most people received an economic stimulus payment last year as an "advance" on their 2008 taxes that was calculated based on their 2007 income.

But if you didn't get that rebate last year—by check or by direct deposit into your bank account—or if you didn't get the full amount, you might qualify for a rebate credit this year if one or more of these situations describes you:

- You were claimed as a dependent on someone else's tax return in 2007 but were on your own in 2008.
- You had a significant change in 2008 income.
- You had a child in 2008, which could qualify you for an additional

transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

\$300 credit.

- You didn't have a valid Social Security number in 2007 but got one in 2008.
- You didn't file a 2007 tax return but earned money in 2008.

If one of those five factors pertains to you, fill out the 29-line work sheet on pages 62 and 63 of the instruction booklet that comes with the new Form 1040 to see how much you get. You enter the result on line 70 of this year's 1040, where you can claim your adjusted credit amount.

Keep in mind that the credit is phased out starting at incomes of \$75,000 for individuals and \$150,000 for couples. And you can't get a rebate at all if you have no qualifying income—mainly wages or Social Security benefits.

If you can't remember whether you got a rebate last year, or how much it was, you can find out on the IRS website. Go to www.irs.gov and click on the "How Much Was My Stimulus Payment?" link on the home page. You'll need to plug in a few pieces of information including your Social Security number. Enter the result on line 28 of the rebate credit work sheet.

Property Tax Aid

If you own a home but don't itemize deductions, you can boost your standard deduction to compensate for some of the property tax you pay. The maximum increase is the amount of tax paid, up to \$500 for an individual or \$1,000 for a married couple. For example, a married couple who paid \$1,000 or more in property taxes could claim an \$11,900 standard deduction, up from \$10,900. To take advantage of the provision, check line 39C on Form 1040.

Disaster Benefits

If you lost personal property in a federally declared disaster (not counting the stock market), you can claim the net loss—the loss minus any insurance reimbursements—as an additional standard deduction. Normally, such "casualty" losses are deductible only to the extent that they exceed \$100 plus 10 percent of your adjusted gross income. That requirement has been waived this year, said Amy McAnarney, executive director of the Tax Institute at H&R Block in Kansas City, Mo. Claiming a casualty loss is complicated, however. If you had a big one, it's wise to consult a tax advisor.

New Homeowners

If you bought a home after April 8, 2008—or you buy one before July 1, 2009—you may be able to claim a credit for up to 10 percent of the purchase price.

The credit, which is claimed on line 69 of Form 1040, is capped at \$7,500.

The property must be your personal residence, and you can't have owned another home within three years of buying this one.

You can take the credit on your 2008 return even if you buy the house in 2009, said Mark Luscombe, principal tax analyst with CCH Inc., a tax research and publishing firm in Riverwoods, Ill.

But if you earn more than \$75,000 and are single or \$150,000 and are married, the credit is reduced until it disappears at \$95,000 for an individual and \$170,000 for a couple.

Under current law, this credit needs to be repaid over 15 years, but under a measure being considered in Congress, you wouldn't have to pay anything back.

Thank the Oil Bubble

If you drive for business purposes, the amount you can deduct has soared because of the spike last year in gasoline prices. For driving on the job in the first half of 2008, you can deduct 50.5 cents a mile, up from 48.5 cents for 2007. For driving in the second half of 2008, you can deduct 58.5 cents.

Business Gear

If you own a small business, you can write off up to \$250,000 in new-equipment purchases made in 2008. That's up from \$128,000 in 2007. To claim this, you need to file Schedule C to show your profit or loss from a business.

'Kiddie' Tax

Congress significantly tightened rules for children who have investment income.

The so-called kiddie tax now can affect anyone under age 24, up from age 18 last year. If you have a son or daughter of that age who has \$1,800 or more in investment income (a threshold raised from \$1,700), you may have to claim his or her income on your return—paying tax at your rate—or the child will have to pay tax at a higher rate when filing his or her own return.

However, children who have significant earned income and are self-supporting are exempt from the provision.

Being Charitable

Congress further tightened requirements on substantiating deductions for charitable contributions.

For a donation in 2007 of clothing or cars, you had to have in your possession a receipt or canceled check verifying the contribution. For 2008, that requirement was expanded to include all charitable donations.

There's no need to send the receipts with your return. You just have to keep them in your files in case you're audited.

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