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Happy New Year!

Hopefully, this letter finds everyone in good health and that 2008 will be a great year for you. 2007 included several changes that I would like to make you all aware of:

- In July, we launched an e-newsletter that gets sent out every month. This newsletter includes various articles about taxes, alerts our clients of upcoming deadlines, and provides tax advice for our clients. If you are not currently subscribed to out newsletter and would like to subscribe, you can do so on our website. You can also view our past newsletters on our website under the "Tax News" section.
- Consequently, this is the last year that we will be mailing out a hard copy of our annual newsletter and income tax data itemizer. Starting this year, we will be sending out this newsletter and our worksheets electronically. If you would like to continue to receive a hard copy of this newsletter and our worksheets, please contact us and we will continue to mail it out to you. If you do not receive the electronic newsletter that we send out, then please go to our website to subscribe to the newsletter.
- Our website is constantly being updated so please check it often for answers to your questions. You can also use our website to:
  - Download forms
  - Learn about tax law changes
  - Review key tax deadlines
  - Review other essential tax information
  - Get directions to our office
  - Obtain contact information, including email address and phone numbers
- Tom continues as a Certified QuickBooks ProAdvisor by completing another training program offered by Quick Books. He is available to answer any of your QuickBooks questions or help with any issues you may be having with QuickBooks. We are also able to offer QuickBooks products at a discount, so please call us, email us, or go to our website to purchase QuickBooks products at a discount.
- All tax returns will be electronically filed again this year.
- Due to problems collecting prior year fees, the tax returns must be paid for before they can be electronically filed, picked up, or mailed.
- Please be reminded that the option is available for you to drop off, mail, or email your return information to us if that is more convenient.

Sincerely,

John T. Vetscher
Certified Public Accountant

NOTE: See Back Page for 2007 Tax Notes

"The hardest thing in the world to understand is the income tax." (Albert Einstein)

TAX NOTES FOR 2007

- Some tax returns will not be able to be processed until mid-February due to a tax law being passed by congress in late December of 2007. This will result in some early filers not being able to get their refunds until late February at the earliest. This new law affects taxpayers claiming tax benefits for higher education expenses and a tax credit for energy efficient home improvements.
- For 2007, capital gains tax rates are 15% for taxpayers in the 25% or higher income tax brackets and 5% for taxpayers in the 10% or 15% tax brackets. For 2008, the 5% tax rate is decreased to 0% for taxpayers in the 10% or 15% income tax brackets.
- The "kiddie tax" now applies to all children 18 and younger in 2007 and in 2008 it will apply to dependent "student" children up to the age of 24.
- 2007 is the final year to receive a tax credit for the purchase of various types of energy saving property, including energy efficient improvements to existing homes. If you made some energy efficient home improvements this year and are interested in receiving this credit, please let us know and we can help you make sure you will receive the credit.
- For 2007, you can deduct your mortgage insurance premiums paid. Premiums that you pay or accrue for "qualified mortgage insurance" during 2007 in connection with home acquisition debt on your qualified home are deductible as home mortgage interest.
- The mortgage interest deduction is limited to the interest paid on the first $1 million of acquisition indebtedness and the first $100,000 of home equity indebtedness.
- The rules surrounding charitable contributions of cash and clothing changed in 2006. All cash contributions made in 2007 to any qualified charity must be supported by a dated bank record or a dated receipt. Also, no deduction is allowed for most contributions of clothing and household items unless the donated property is in good used condition or better.
- Individuals filing their 2007 tax returns will be able to elect to have their federal income tax refund automatically deposited into up to three different accounts at a bank, including retirement plans.
- The "Manufacturers Deduction" increased this year. It is available to businesses and individuals in the amount of 6% (up from 3%) of Qualified Domestic Production Activities Income. If you think this might apply to you, please mention it when you are meeting with us.
- Even though the Alternative Minimum Tax exemption amount has increased, more taxpayers will be subject to this controversial tax than ever before. We can discuss if and how this may affect you when we meet.
- Business mileage rates for 2007 are 48.5 cents per mile. For 2008, it increases to 50.5 cents a mile. (Medical mileage figures are 20 cents and charitable miles driven are 14 cents per mile in 2007.)
- If you work primarily out of your home and claim an office-in-home deduction, all business miles are deductible since you don't have a regular commute.
- For 2007, there is still a tax credit up to a maximum of $3,400 for electric and alternative motor autos (i.e. hybrids). This credit is phased out after a the 60,000th vehicle is sold.
- For 2007, the maximum Health Savings Account (HSA) deduction is $2,850 ($5,650 for family coverage). The maximum additional deduction for individuals age 55 or older increased to $800. For HSA purposes, the minimum annual deductible of a high deductible health plan increased to $1,100 ($2,200 for family coverage).
- The medical portion of retirement community expenses is deductible.
- If your income exceeds $156,400 and you itemize, your total deductions will be decreased by 2% of your income that exceeds that figure. This is a new limitation percentage and threshold for 2007.
- If your income is less than $100,000, you can convert a Traditional IRA to a Roth IRA. You will owe tax on the conversion, but all future earnings in the Roth IRA can be withdrawn tax-free. In 2010, anyone can convert a traditional IRA into a Roth IRA as the income limitation is eliminated and the tax is deferred into 2011 & 2012.
- If you receive investment advice from a financial planner, ask for a breakout of the fees you paid for the advice. The sales commission portion of those fees may be deductible.
- Check your portfolio for possible forgotten, but worthless, stock. You have seven years from the due date of your return to claim a refund for stock which became worthless during any given year.
- April 15th is rolling around and you know you won't be able to file a timely return? File Form 4868 by the due date and get an additional 6 months. This is the only extension available this year.
- How complicated is the tax code? U.S. auditors posing as taxpayers queried the IRS through its Helpline and received correct answers only 72% of the time - 20% of the time the answer was just plain wrong!

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American workers spend more of their day working to pay taxes than they do to feed, clothe, and house their families. (The Tax Foundation)