

Common Sense

Financial News and Tips for Clients and Friends of Albertz & Associates

Important Dates & Reminders

March 17, 2008

Corporate tax returns due.

April 15, 2008

Individual Federal, State, and Local tax returns due. 1st quarter Federal, State, and Local estimated tax payments due.



Albertz Client Wins Women's Business Award

On Thursday, December 13, the Cincinnati USA Regional Chamber of Commerce recognized the 2007 Women's Business "WE Celebrate" Award winners. The award for Best New Product or Service went to Amy Storer of Cincy Chic, an online publication for women in greater Cincinnati. Congratulations, Amy!

To see Amy's award-winning site for yourself, visit www.cincy chic.com.

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*"It's not what you earn,
 it's what you keep."*

Foot-Dragging In Congress Over AMT May Delay Your Tax Refund

Congress waited until the very last minute in 2007 to make a short-term fix for the Alternative Minimum Tax (AMT), approving a one-year patch on December 19. This dawdling will delay around \$40 billion worth of refunds to as many as 17 million taxpayers.

The AMT was originally created in 1969 to target roughly 155 super-rich families who used deductions to avoid paying taxes altogether. Unfortunately, the law has stayed on the books without being adjusted for inflation. By late 2007, the law threatened nearly 25 million middle-class taxpayers, up from 4 million in 2006.

Congress' 2007 AMT patch will provide temporary relief to taxpayers



with incomes between \$75,000 and \$200,000, who would otherwise have seen their taxes spike by an average of \$2,000 per taxpayer.

However, since the House of Representatives dragged its feet getting the legislation passed, the IRS wasn't

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Does Your Home Office Meet IRS Deduction Requirements? Here's a Quick Test.

Many self-employed business owners work part- or full-time from an office in their home. If you're one of them, you may be eligible to deduct expenses related to the business use of your home from your taxes. These expenses can include utilities, maintenance, insurance, depreciation, and other costs.

The IRS believes that many self-employed taxpayers abuse the home office deduction, so it's important to be sure that you meet all of the necessary requirements.

To qualify to deduct expenses for business use of your home, you must use part of your home:

- Exclusively and regularly as your principal place of business,
- Exclusively and regularly as a place where you meet or deal with patients, clients, or customers in the normal course of your trade or business,
- In the case of a separate structure which is not attached to your

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AMT Fix, continued

able to re-program its computers in time for the launch of tax season in mid-January.

It will take the IRS about seven weeks to update its systems to comply with the AMT patch. That means taxpayers who use any of the five IRS forms affected by the patch (see list in sidebar at right) will not be able to file their taxes until the changes have been made. The IRS has tentatively set February 11 as the date when these returns may be processed.

Although Congress may hold up your refund, there's no need for you to delay your appointment with Albertz & Associates this year.

We encourage you to schedule your appointment as early as it is convenient for you to do so. We'll keep tabs on the IRS, get the necessary forms as soon as they are released, and submit your return promptly to ensure that you receive your refund as quickly as possible.

IRS Forms Delayed by the AMT Patch

- 8863, Education Credits
- 5695, Residential Energy Credits
- 1040A's Schedule 2, Child and Dependent Care Expenses for Form 1040A Filers
- 8396, Mortgage Interest Credit
- 8859, District of Columbia First-Time Homebuyer Credit

Home Office, continued

home, in connection with your trade or business,

- On a regular basis for certain types of storage use
- For rental use, or
- As a daycare facility.

To qualify as a "Principal Place of Business", your home office must meet one of two criteria:

- You must use the home office exclusively and regularly to conduct administrative or management activities, or

- Your home office must be the *only* fixed location where you conduct substantial administrative or management activities

To qualify under the exclusive use test, you must use a specific area of your home only for your trade or business. The area used for business can be a room or other separately identifiable space, but does not need to be marked off by a permanent partition.

You do not meet the requirements of the exclusive use test if you use the

area in question both for business and for personal purposes.

Administrative or management duties that qualify under IRS regulations include billing customers, clients, or patients; keeping books and records; ordering supplies; setting up appointments; and forwarding orders or writing reports.

To make sure that your home office meets all applicable IRS requirements, or if you're interested in adding a home office for the first time, contact our business office.

Mileage Deduction Rates For 2008

The IRS has announced a higher rate for business mileage in 2008. Effective January 1, the allowance will increase to 50.5¢ per mile. That's up 2¢ from the 48.5¢ rate used in 2007.

The 2008 rate for deductible medical mileage has been cut by a penny to 19¢ per mile. Moving expenses increased by a penny to 19¢ per mile. Mileage driven for charitable organizations remains the same at 14¢ per mile.

How Long Should I Keep This?

We often get calls from clients who want to know how long to hold on to old tax returns, investments, business accounting records, and other documents. It's important for all our clients to know the answers, not only in the event of an audit, but for your own records, property rights, estate planning and more.

Many documents, like receipts, cancelled checks and credit card statements, can be thrown away after about seven years. Others, including divorce documents, retirement plan annual reports and business financial

records, need to be kept permanently. You'll also want to hang onto most investment paperwork such as home purchase documents, mutual fund statements, and home improvement receipts, for as long as you own the investment plus 7 years.

If you're not sure about a particular type of paperwork you have lying around, just give us a call. We'll let you know whether it goes in the permanent file or the round file.