

# AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## FINANCIAL & BUSINESS INFORMATION

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### Housing Assistance Tax Act of 2008

This recently signed legislation was designed to provide relief from the current mortgage crisis, but is more expansive in nature. Here are some of the highlights.

Credit for First-Time Homebuyers: These individuals can take a tax credit up to \$7,500 (\$3,750 for married individuals filing separately) of the price for a home purchased from April 9, 2008 through June 30, 2009, subject to income phase-out. Note that two or more unmarried individuals may purchase a residence and qualify for the credit. Since the qualifying homebuyer must pay back the credit over 15 years, it is essentially an interest-free loan from the government.

Property Tax Deduction for Non-Itemizers: For 2008 only, homeowners who do not itemize can claim an additional standard deduction for state and local real property taxes paid in 2008 up to \$500 (\$1,000 for married filing jointly). This deduction applies to a vacation home as well as a principal residence and is claimed as an additional amount on top of the standard deduction. It will most likely benefit homeowners who have paid off their mortgage and lower-income homeowners who do not itemize.

Reduced Home Sale Exclusion: The gain from the sale of a principal residence will *no longer be excluded from gross income* for the portion of time the home was *not used as a principal residence* (e.g. vacation or rental property). This new income exclusion rule applies only to sales after 2008 and ignores any periods of personal or rental use before 2009. A homeowner was previously allowed to exclude up to \$250,000 in gains (or \$500,000 for joint filers) as long as the homeowner owned and lived in the house for at least 2 out of the 5 years ending on the date of sale. Now, any gains will need to be allocated based on usage.

Credit Card Information Reporting: Starting in 2011, banks and other credit card processors will report gross annual receipts received through credit and debit card transactions to the IRS for businesses with merchant accounts. This new reporting requirement is intended to crackdown on unreported income of businesses. There is an exception for smaller merchants with card payments under \$20,000 or no more than 200 transactions annually.

Additional Recent IRS Announcement: The standard business mileage rate increased from 50.5 to 58.5 cents effective July 1, 2008 to allow for recent gasoline prices increases.

**Note: If you make estimated tax payments, the third 2008 estimate is due September 15!**