

AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

FINANCIAL & BUSINESS INFORMATION

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Taxes: The Good News and the Bad News

Tax Rebate Checks

Under the Economic Stimulus Act of 2008 (ESA), nontaxable rebate checks will be sent out beginning in May. Eligible taxpayers must have a valid Social Security number, qualifying income of \$3,000 and file a 2007 federal tax return. Individuals who are eligible will receive up to \$600 (\$1,200 for married couples) and parents will receive an additional \$300 for each eligible child younger than age 17. There are phase-out income levels, so those with higher income may receive a reduced payment or none at all.

You won't get a stimulus payment if (1) you don't file a 2007 return, (2) your net income tax liability is zero and your qualifying income is less than \$3,000, (3) you can be claimed as a dependent on someone else's return, (4) you do not have a valid Social Security number or (5) you are a nonresident alien.

Retirees, disabled veterans and low-wage workers usually exempt from filing must do so this year in order to receive a stimulus payment. The ESA allows recipients of Social Security, certain veterans' benefits and Railroad Retirement benefits to count these benefits toward the qualifying income requirement of \$3,000. To get the payment, they must file a 2007 tax return using either Form 1040 or the short Form 1040A.

Business Tax Incentives

The ESA also contains provisions to encourage businesses to increase investment in new equipment in 2008. Under the ESA, the IRS Code Section 179 depreciation expense limit in 2008 is increased from \$128,000 to \$250,000, subject to phase-out when asset purchases exceed \$800,000 (previously \$510,000). The ESA also allows a bonus first-year depreciation deduction of 50% of the adjusted basis of qualified property placed in service during 2008. Qualified property includes new MACRS property with a recovery period of 20 years or less, which applies to most business equipment and machinery.

Increase in Sales Tax Rates

Effective April 1, sales tax rates will increase .25% in Cook County and .5% in the collar counties (DuPage, Kane, Lake, McHenry and Will). In addition, effective July 1, the Cook County Board approved an increase in its share of the state sales tax, raising rates an additional 1%. This means Chicago will have a 10.25% sales tax rate, the highest of any major U.S. city. Since home-rule municipalities can set higher rates, how much more you'll actually pay depends on where you shop. Business owners that collect sales tax may need to adjust their cash register and any computer programs for these upcoming increases to collect and pay the correct amount of sales tax.

Note: If you make estimated tax payments, the first 2008 estimate is due April 15!

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