

AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

FINANCIAL & BUSINESS INFORMATION

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Year-End Morsels to Sweeten 2007 and 2008

Use the following tidbits of information to wrap up the 2007 tax year and plan for 2008.

- **Estimated Taxes** - In order to stay penalty proof on your tax return, it is important to pay estimated taxes in a timely manner. Taxpayers are subject to a penalty unless total quarterly estimated tax payments or withholding are the lesser of 90% of current year liability or 100% of the prior year liability (110% if adjusted gross income exceeds \$150,000 for married filing joint).
- **Flexible Spending Accounts** - If you spent more this past year than expected, increase the amount that is set aside for next year in your employer's health flexible spending account. Remember that the cost for over-the-counter items such as aspirin and antacids *do* qualify for tax-free reimbursement.
- **Hybrid Vehicles** - If you purchased a hybrid vehicle, you should check if it qualifies for the hybrid credit. A current list is on the website www.irs.gov. Type "QAFMV" in the Search box.
- **Kiddie Tax** - In 2008, the kiddie tax rule applies to children who are under age 19 or full-time students under age 24 whose earned income does not exceed half of their own support for the year.
- **Retirement Plans** – For 2007 and 2008, contribution limits for 401(k) and SIMPLE plans are \$15,500 and \$10,500, respectively. The additional catch-up amounts for taxpayers age 50 and older are \$5,000 and \$2,500, respectively.
- **HSAs** - The maximum deduction for Health Savings Accounts is no longer limited by the related health plan deductible. Additional catch-up contributions for those age 55 and older may also apply. Additionally, a one-time tax-free direct rollover from an IRA to an HSA is now permitted.
- **The following have been extended through 2008:**
 - Mortgage insurance premium deduction
 - Qualified higher education tuition and fees deduction
 - Optional deduction for state and local sales and use taxes
 - Deduction for teacher classroom expenses up to \$250
 - Exclusion of up to \$100,000 for tax-free IRA distributions paid directly to a qualifying charitable organization

If you have questions, please contact a member of our firm for additional information.

Note: If you make estimated tax payments, the final 2007 estimate is due January 15, 2008!

Financial & Business Information is emailed periodically by Ahlbeck & Company. Since the information contained herein is of a general and summary nature, no final conclusion should be made without further review. For additional information, please contact a member of our firm.