

## Income Tax Updates

In December last year, President Bush signed into law the Mortgage Forgiveness Debt Relief Act of 2007 and Tax Increase Prevention Act of 2007. Below is a summary of changes that can potentially impact your 2007 taxes:

1. If your qualified principle residence debt (up to \$ 2 Million) was discharged/ forgiven in 2007, you will not have to report it as taxable income. This applies only to primary residences and not to second or vacation homes. You will however need to reduce the basis of your home by the amount of debt discharged.
2. You may deduct private mortgage insurance (PMI) premiums as itemized deductions for any PMI contracts entered into on or after January 1, 2007.
3. The full home sale exclusion of \$500,000 is available effective January 1, 2008 for a widow/ widower who sell their principle residence no later than two years after their spouse's death. This is provided the deceases spouse met all the requirements for the exclusion prior to their death.
4. And finally, we have some relief from Alternative Minimum Tax (AMT)! The AMT exemption for 2007 is increased to (1) \$66,250 for married individuals filing jointly, or surviving spouse, (2) \$44,350 for unmarried individuals, (3) \$33,125 for married individuals filing separately.

Also to assist you in tax planning, listed below are the key deduction and exemption limits for 2008.

<b>Description</b>	<b>2008</b>	<b>2007</b>
Personal Exemptions	\$ 3,500	\$ 3,400
Personal Exemption phase-out:		
Married filing jointly	\$239,500	\$234,600
Head of household	\$199,950	\$195,500
Single	\$159,950	\$156,400
Standard Deduction:		
Married filing jointly	\$10,900	\$10,700
Head of Household	\$ 8,000	\$ 7,850
Single/ Married filing separately	\$ 5,450	\$ 5,350
Additional Deduction for Elderly & Blind	\$ 1,050	\$ 1,050
Married	\$ 1,050	\$ 1,000
Single	\$ 1,300	\$ 1,250
Itemized deduction phase-out:		
Married filing jointly	\$159,950	\$156,400
Married filing separately	\$ 79,975	\$ 78,200
Max. IRA Contributions	\$ 5,000	\$ 4,000
IRA Catchup -Age 50+	\$ 1,000	\$ 1,000
Max. FICA taxable wages	\$102,000	\$97,500
Max. 401(k) contrib. limits	\$15,500	\$15,500
Max. depreciable property expensing	\$128,000	\$125,000
Standard Mileage Rates		
Business travel	50.5c	48.5c
Medical/ Moving	19.0c	20.0c
Charitable work	14.0c	14.0c

If you have any tax related questions, please contact Seth Enterprises, CPA at (703) 723-9651.