



Happy Holidays! 2008 Tax Season Newsletter

What a Year

Whew! Can you believe it's already the end of November? Its incredible how quickly the time goes by. We have certainly have had a memorable 2008. We are in the midst of a changing world market and have just elected a new president. Our troops are involved in two wars and our national reputation is on the line. Still, despite all of our troubles, we persevere. It's this time of the year that I stop and think about all that I have to be thankful for. Again, I express my gratitude for your patronage and appreciate your confidence in me and my staff.

I'd like to take this opportunity to inform you of some last minute tax tips so that you can plan for your upcoming 2008 tax appointment and maybe get some extra deductions. I've done a lot of training this year to keep up to date on all of the new tax law changes. There are plenty. We can visit about them in more detail as the time draws near. If you have a specific question please give me a call or drop me an email and I'll do my best to explain them to you. I am looking forward to visiting with you in 2009.

Again, a great big thank you for those of you who have referred friends and family. Your confidence in me and my staff is the greatest compliment. Thank you.

Building Buzz

We've expanded our staff again this year. As you may already know, my office does accounting and payroll services for many area businesses. We also do consulting work. This keeps us busy. We've been fortunate enough to have expanded our team and have recently taken over the entire building. We are currently in the process of remodeling the front end of the building to serve as our new reception area. It's pretty neat. I can't wait for you to see it. So, when you come in for your appointment next year, come in the front (west facing) door. Jenny will greet you with a smile. It's a joy to have such a competent and friendly staff. I am blessed.

Taxable Events

If you have had a tax event in 2008 without the normal withholding, we may want to calculate and pay your federal and/or state tax liability by

December 31st. Because you are able to use these payments as itemized deductions on your tax return, you may save substantially by this planning. Please call so we can schedule an appointment before the end of the year.

Tax Updates Federal Energy Tax Credits

CHARITABLE CONTRIBUTIONS: Remember to keep good records to document your charitable giving so that you can deduct the maximum amount available. You need cancelled check copies as well as a receipt from the charitable organization. If you donate goods, make a list of the items you bring in and be sure to ask for a receipt. The items need to be in good or better condition to qualify for a deduction. Most organizations are aware of this requirement and are more than happy to provide you with the necessary documentation.

ENERGY CONSERVATION CREDITS: The federal energy credits for improvements to your principle residence expired at the end of 2007 but will come back in 2009. So, if you spent money on these improvements in 2008 you're limited to the available state tax credits. You missed out on the federal credits – bummer. If you're planning on doing some improvements, wait until January.

Montana continues to offer great energy efficiency credits for improvements to your home or business. Qualified improvements include insulation, windows, doors, heating and cooling systems, hot water heaters, etc. The list goes on and on. There are additional credits available to businesses for improvements done to commercial buildings.

HEALTH SAVINGS ACCOUNT is a federal program that allows us to set aside some dollars for medical expenses. It works with only qualified health insurance plans. It must be a "high deductible" plan and you must have health insurance. It is managed similar to an IRA. You can contribute up to \$6,700 and use it for a tax deduction in 2008. There are different limits for different types of plans. You take withdrawals for qualified medical expenses. Many individual taxpayers qualify for this program. If you are interested in this please call the office or talk with your banker. Most financial institutions are well versed in this program.



Montana Reminders

MEDICAL SAVINGS ACCOUNT allows each of us to set up a savings account to pay future medical expenses or to reimburse us for the medical expenses we incurred in 2008. Taxpayer and spouse are each allowed a maximum deduction of \$3,000 annually. To claim as a deduction in 2008, it must be deposited by December 31st. **NOTE: THESE ARE NOT THE SAME AS FEDERALLY RECOGNIZED HEALTH SAVINGS ACCOUNTS.**

*Example: Start by totaling all medical expenses you have paid in 2008. You may go to a bank of your choice and set up an individual account and deposit the amount of your actual medical expenses for the year up to a maximum of \$6,000 if you're married -- \$3,000 if you're single. You may also include in this amount any future medical expenses you expect to incur. You may withdraw, or reimburse, yourself the amount that you actually spent throughout 2008 within a few days of the initial deposit. Remember, you must have actual medical expenses for the amount of the withdrawal or you may be subject to a recapture tax. This creates a MT state deduction for income tax purposes. The amount is still deductible on the Federal Return. Because of our tax structure in Montana, it is important to remember that married couples set up an account for the spouse with the highest income first. Keep the account open from year to year so that you may create this deduction with ease in the future. **Bonus: The interest earned on the account is not subject to MT state income tax.***

FAMILY EDUCATION SAVINGS ACCOUNT allows us to open an account for the purpose of paying future educational expenses for a child, and /or grandchild at an institution of higher education. Montana's plan is part of the Education Savings Program 529. You may contribute up to \$3,000 per year per taxpayer. Once again, it reduces your taxable income dollar for dollar. For more information call 800-888-2723 or visit their web site at <http://montana.collegesavings.com>. It is a great, easy to use, site and can answer many questions. This can be a great estate-planning tool. You must leave the money in the account for three years or it may be subject to recapture tax. There is a link from my website as well. Check it out for up to date planning ideas.

FIRST TIME HOME BUYERS SAVINGS ACCOUNT is another helpful tool If you are planning on buying your first home within the next 10 years. Here again, you may set aside up to \$3,000 per taxpayer

into a savings account that is designated as such and deduct it dollar for dollar off your Montana taxable income. As long as you use the funds for a down payment or closing costs it is all tax-free to Montana. If you have any questions regarding any of these special Montana provisions, please call the office and talk with one of our trained staff members.

MOTOR VEHICLE TAXES: Be sure and bring in your registration slips when you come in for your tax appointment. The deductible motor vehicle tax codes are 14-COOPT and 61-LVREG.

Compensation

If you are a shareholder or officer of a closely held corporation you must receive "reasonable compensation" for your services. If you have recently formed a new business entity and have questions regarding this issue please call the office so we can have a conversation of what is required of you by year end.

Also, if you've paid someone for services that exceed \$600 you may be required to issue them a 1099 for 2008. Call the office and we can let you know if you are required to do so – we can help.

IRA's and Retirement News

Remember you have until April 15th to fund your IRA accounts. A Roth IRA is non-deductible but the earnings will never be taxable as long as we have met the five-year rule and are 59½. A regular IRA is tax deductible both federal and state and, therefore, when withdrawn will be fully taxable. Check out your employer sponsored plans. You may have the ability to elect a ROTH 401(k) deduction.

Organizer and Tax Planning Tools

I will be mailing out tax organizers and postcards with your pre-scheduled appointment the first week in January. If you do not wish to receive the entire organizer, please let me know. I'll just drop you a note in the mail to let you know when I have you scheduled. If you would prefer your organizer via email we can do that too. Just give us a ring and we'll take care of it. If your scheduled appointment does not work for you simply call the office and we'd be happy to reschedule you for a time that is more convenient.

We're still offering your final return copy by CD, email or paper again this year. You can have the option to receive your copy on a flash drive, too. Our digital versions are pretty neat. The files are password protected for your security and the documents are readily available for you to review or email out for financing purposes. Go Green. Give it a try.

Thank you again for your continued patronage. I certainly appreciate you and look forward to visiting with you during tax season. Happy Holidays!

Colleen, Cerena, Jenny,
Suzi & Shawntell
Colleen Black & Co., PC
Certified Public Accountant

