



TAX ALERT

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Economic Stimulus Act of 2008

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Individual Tax Provisions – Tax Rebates for Eligible Individuals

Generally, individuals will receive a tax rebate this year equal to their net income tax liability in 2007 up to a maximum amount of \$600 for single filers or \$1,200 for joint return filers. Eligibility for tax rebate is based on the tax filing status (i.e., single, married, etc.) and income for 2007 - not what it was in 2006 or what it will be in 2008.

Lower income individuals will still receive a tax rebate equal to \$300 for single filers or \$600 for joint return filers if (i) their qualifying income for 2007 is at least \$3,000 or (ii) if their net income tax liability in 2007 is at least \$1 and their gross income is greater than the standard deduction plus one personal exemption for single filers or two personal exemptions for joint return filers (i.e., \$8,750 for single taxpayers or \$17,500 for joint return filers). Qualifying income includes earned income, social security and certain other types of income.

In addition, individuals will receive a \$300 rebate for each qualifying dependent child under age 17 claimed on their 2007 tax returns.

The amount of these rebates are reduced (phased out) at a rate of 5% of adjusted gross income above \$75,000 for single filers (\$150,000 for joint return filers). For example, if a single taxpayer with no children has adjusted gross income of \$85,000 for 2007, then his or her tax rebate of \$600 is reduced by \$500 (5% of \$10,000) so that the net tax rebate will be \$100.

Tax rebates are not available for certain types of individuals like nonresident aliens

and individuals who can be claimed as a dependent by another person. Thus, students who are (or can be) claimed as dependents by their parents are not eligible to receive tax rebates even if they have enough income to file a tax return.

Tax rebates are also not available if an individual's tax return does not include a valid tax identification number (social security number).

Tax rebate check will not be issued until after the 2007 tax return is filed - so file the 2007 tax return sooner rather than later (don't procrastinate and don't file for an extension) if eligible for a tax rebate.

Business Tax Provisions

Increased Section 179 Expensing

Code Section 179 allows certain tangible personal property acquired by a business to be expensed subject to certain limitations. For tax years beginning in 2008, the Economic Stimulus Act increases the Section 179 expensing limit from \$128,000 to \$250,000. In addition, the overall investment limit before a reduction of this expensing applies is increased from \$510,000 to \$800,000.

Bonus First-Year Depreciation

The Economic Stimulus Act provides a bonus first-year depreciation deduction of 50% for most types of new depreciable property placed in service this year (2008).

Bonus first year depreciation was introduced in 2002 to stimulate the economy following the 9/11 terrorist acts. This benefit was generally not available for property placed in service after 2004. The Economic Stimulus Act brings back bonus first-year depreciation generally for this year only.

Increased First Year Depreciation Dollar Cap for New Passenger Autos

The Economic Stimulus Act increases the first-year depreciation dollar limit for new passenger autos placed in service this year by \$8,000. ■

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