



2009 Inflation Adjustments Widen Tax Brackets and Expand Tax Benefits

For 2009, personal exemptions and standard deductions will rise and tax brackets will widen because of inflation adjustments announced by the Internal Revenue Service.

The value of each personal and dependency exemption, available to most taxpayers, is \$3,650, up \$150 from 2008.

The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,350 for heads of household (up \$350). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.

Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income

threshold separating the 15-percent bracket from the 25-percent bracket is \$67,900, up from \$65,100 in 2008.

The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$5,028, up from \$4,824. The income limit for the credit for joint return filers with two or more children is \$43,415, up from \$41,646.

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PK Tax Services, L.L.C.

Pat Kolodziej, CPA, MST
627 Arlington Lane
South Elgin, IL 60177

patk@pktaxservices.com
www.pktaxservices.com
847.858.5074

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MINUTE
TIMELY TAX TIPS

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Is Your Hobby Really An Activity Engaged In For Profit?

In general, taxpayers may deduct ordinary and necessary expenses for conducting a trade or business or for the production of income. Trade or business activities and activities engaged in for the production of income are activities engaged in for profit.

The following factors, although not all inclusive, may help you to determine whether your activity is an activity engaged in for profit or a hobby:

- Does the time and effort put into the activity indicate an intention to make a profit?
- Do you depend on income from the activity?
- If there are losses, are they due to circumstances beyond your control or did they occur in the start-up phase of the business?
- Have you changed methods of operation to improve

profitability?

- Do you have the knowledge needed to carry on the activity as a successful business?
- Have you made a profit in similar activities in the past?
- Does the activity make a profit in some years?
- Do you expect to make a profit in the future from the appreciation of assets used in the activity?

An activity is presumed for profit if it makes a profit in at least three of the last five tax years, including the current year (or at least two of the last seven years for activities that consist primarily of breeding, showing, training or racing horses).

Take Note:

Gift tax annual exclusion in 2009 is \$13,000 per donee.



IRS Announces 2009 Standard Mileage Rates

Beginning on Jan. 1, 2009, the standard mileage rates will be:

- 55 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Inflation Adjustments (cont.)

Many of the pension plan limitations will change for 2009 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. The limitation on the exclusion for elective deferrals is increased from \$15,500 to \$16,500. This limitation affects elective deferrals to Section 401(k) plans.

The Social Security Administration has announced that the wage base for computing the Social Security tax (OASDI) in 2009 rises to \$106,800 from \$102,000 in 2008, an increase of about 4.7%. The \$4,800 increase is due to an increase in average total wages.