



Temporary Capital Gains Tax Break Can Help Some

From 2008 to 2010, taxpayers in the 10 and 15 percent tax brackets will pay zero percent in capital gains taxes. This means individuals in those tax brackets (the lowest two brackets) will be able to sell stocks, bonds, real estate and other assets without paying any capital gains taxes. With some proper tax planning, this can be useful for low-income taxpayers. This capital gains tax cut can primarily benefit the following people:

- Adult children who support low-income parents or seniors helping out adult children who fall into the 10 or 15 percent tax brackets. Instead of giving cash, you can give stocks and bonds instead. You can give away \$12,000 a year (2008 limitation) tax free, and if the parents or adult children sell the stocks and bonds between 2008 and 2010 they will not pay a capital gains tax on the proceeds.
- Retirees with investments in taxable accounts. Tax-deferred retirement savings plans are not

affected by capital gains. But if you are a retiree with stocks or mutual funds in a taxable account, you can sell without incurring capital gains tax. If you are planning on retiring this year, you may want to sell taxable investments and delay Social Security payments or distributions from a tax-deferred plan.

There are some potential downsides to selling off investments, so you need to be sure it is the right step for you. The proceeds from the sale of the investments will be added to your income, which can have some unintended consequences.

For example, it could push you into a higher tax bracket, thereby losing some of the benefit of the zero-percent tax rate. It could also affect eligibility for Medicaid or cause previously non-taxed Social Security benefits to be taxed.

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UP *to-the*
MINUTE
TIMELY TAX TIPS

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Taxpayers soon will be able to access their tax data by computer. The IRS will unveil a secure Internet portal by the end of the year, similar to online banking services in use today. It will let filers view and print out three years of tax returns and other account information.

Think about it!

A good friend is one who takes you to lunch, even if you're not tax deductible.

Rules For Giving

Tax laws have changed in recent years with regard to charitable donations. With that in mind, here are a few significant tax changes in recent years as well as some general charitable-giving advice.

Cash Gifts: Good record keeping has always been important, but there is a new twist to keep in mind. Donors are not allowed to deduct cash gifts, no matter how small unless they have the proper receipt. That means a "bank record," such as a canceled check, a bank copy of a canceled check, or a bank statement with the name of the charity, the date and amount, the IRS says. Or you can get a written communication from the charity itself with that information.

Household Items: Cleaning out closets can be a great way to cut down on clutter and get valuable tax deductions. But the rules can be tricky. For example, you generally cannot take a deduction for used clothing and many other household items unless the items are in "good used condition or better," the IRS says. What is that supposed to mean? The Treasury Department is working on guidance to explain it. Donors should keep detailed records such as photos or even video camera evidence.

Used Cars: For many years, taxpayers donated their old cars to charity and deducted the estimated fair market value. Congress changed the law after hearing reports of highly inflated deductions. Under the new law, which became effective in 2005, taxpayers generally have been limited to deducting only the sale price of the vehicle when the charity sold it. There are several important exceptions to this general rule.

Other Record-Keeping Rules: The rules can vary depending on such factors as what you are donating and its estimated value. Be especially careful if you make a gift to a charity and get something of value in return, such as dinner or tickets to a concert, theater or sporting event.

You are supposed to get a written statement from the charity if your payment is more than \$75 and is partly for goods or services. Also, you are not allowed to deduct a contribution of \$250 or more unless

you have an acknowledgment from the charity or certain payroll-deduction records. The acknowledgement must include key details, such as how much you donated, whether the charity gave you something in return, a description of what you donated, and a "good faith estimate" of the value of those goods or services.

While many charities are aware of these rules, some are not, and you may have to request the proper receipt. Do not wait until you are audited to get the receipt. Get it before you file your return for the year you made the gift.

For those of you who did not get your stimulus payment direct deposited, you will receive a paper check soon. Filers who direct deposited their 2007 returns received their stimulus payments in May. The first round of checks is now in the mail. The bulk of the checks will be sent out by July 11th.