

Summer 2008
Volume 2, Issue 3

**Special
Interest
Articles:**

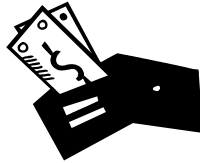
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2007 Stimulus Rebates



The final checks for the rebates will go out in July. Taxpayers on extension will get their checks after they file. You can check the status of your rebate on the IRS web-site at www.irs.gov – “Where’s My Rebate” – or go to our web-site, www.brinkersimpson.com, under “Resources”. You will need your social security number, filing status, and number of dependents claimed.

Business Taxes

Expensing Business Assets (Section 179)

The limit on expensing assets has climbed to \$250,000 for 2008 (up from \$128,000). In addition, the full \$250,000 can be claimed until \$800,000 of assets are placed in service in 2008 (**new and used assets**) and businesses can take 50% bonus first year depreciation on assets put in use in 2008. Companies can first claim the \$250,000, and then 50% of the balance over \$250,000 (**new assets only**). e.g. Company buys \$400,000 of qualifying equipment, finances the purchase over 5 years – and is eligible for a \$325,000 write off in 2008 (\$250,000 plus 50% of the balance).

Health Savings Accounts (HSAs)

The annual cap on deductible payments to HSAs is rising for 2008 to \$5,950 (family) and \$3,000 (single). We recommend you check with your benefits provider to explore these high deductible plans -- the premium savings are substantial!

Misclassified Workers

The IRS is again tackling the problem they perceive with companies misclassifying employees as “independent contractors”. The IRS is promising more employment audits. They have signed up 33 states to share information from state payroll exams – and will conduct some joint audits with state agents. The rules for classification are the same as before and there are certain relief items available to taxpayers who are found to have misclassified their workers.

SUVs (over 6,000 pounds GVW)

Write off for business use increases to \$25,000 plus 50% of the excess cost over the \$25,000 (watch it though – Congress is looking to limit this deduction in light of energy conservation measures).



Estimated Tax Payments



Fine tune your scheduled payments for 2008 to avoid underpayment penalties if you expect to owe taxes for 2008. You must make the adjustment on estimated taxes right away, but for employer withheld taxes you can wait until year

end. That's because withheld taxes are treated as having been paid evenly throughout the year. Beat the penalty by prepaying 90% of your 2008 tax or 100% of the 2007 tax liability (110% if your AGI is over \$150,000).

Real Estate News

Real Estate Professionals – The IRS is cracking down on real estate professionals who are not limited by passive loss rules and income levels on rental activities. Real estate pros must spend over half their working time, and at least 750 hours each year, materially involved in real estate activities. The IRS is checking the returns of real estate professionals, especially builders, property managers, and landlords to make sure time tests are met.

Sales of 2nd Homes as Primary Residences – The House has passed a provision that would make some of the gain on the sale of a 2nd home ineligible for

the home-sale exclusion if the home is sold within 5 years after becoming your main residence. The portion of the profit that will be taxable is based on the percentage of time before the sale that the home was rented. For example, if the home was rented for three years out of the five years before it was sold, 60% of the gain would be taxed. The Senate will debate this bill later in 2008, and it is supported by the Real Estate Lobby (for all sales after December 31, 2007).

Tax Free Exchanges: Section 1031 – Vacation homes can qualify for the 1031 tax deferred exchange – but in a very limited way. The residence must be converted into rental property for at least 24 months before the swap – or

the IRS will challenge the transaction. Personal use by the owner during that time must be limited to the lesser of 14 days each year or 10% of the days rented.

Some 2008 Tax Breaks Likely to Pass:

- New deduction for real estate taxes for non-itemizers – in addition to the standard deduction – capped at \$1,000 for joint filers and \$500 for singles.
- Tax credit of \$7,000 (or so) for purchases of foreclosed homes used as principal residences.

Computer Corner – *SPAM* by Bruce Rosen of NetData Systems

Spam has been identified as one of the top 2 annoyances by computer users along with malware/pop-ups. In addition, spam consumes resources on computers and networks and often leads to viruses. In order to fight this problem, we have connected our clients with our hosted spam filter system. Using this product, 98% of spam is filtered before it ever hits your network and computers. In addition, there is no software to install or maintain and no updates ever need to be applied. The cost is only \$3 per user per month and the productivity and resource savings pay for itself. For more information, contact our partner, Bruce Rosen from NetData Systems, at 610.543.1500 ext 101 or via e-mail at brosen@netdatasystems.net.

IRS and Identity Theft

The Service's testing demonstrated that IRS employees and contractors can easily gain unauthorized access to taxpayer's files – and there are no procedures in place to detect this. IRS agents lost 500 laptops in 2007 – many of them with unencrypted taxpayer data.

IRA Minimum Distributions

Seniors with regular IRAs are under IRS scrutiny. The Service believes many taxpayers over 70½ do not take their required minimum distribution (RMD). Notified for the first time, the IRS will tell you to catch up – further non-compliance could bring penalties of 50%! of the amounts not taken.

***Client Spotlight*— The Moore Eye Foundation**

The Moore Eye Foundation was established in 1995 as a dream of Dr. Leonard Ginsburg, a Harvard-trained retina and diabetic eye specialist, to establish therapeutic services for the visually impaired. Never before had a medical doctor committed all of his many resources to initiate such a program.

A non-profit multidisciplinary vision rehabilitation service, the Moore Eye Foundation provides a complete, holistic, visual rehabilitation program including diabetes education and macular degeneration prevention. The patient's systemic, ocular, therapeutic and functional health are all evaluated. Low vision optometrist examinations are performed by the world renowned, Dr. Richard Brilliant and Dr. Georgia Crozier. Dr. Crozier was the first optometrist to receive a federal government-

sponsored scholarship to pursue a Master of Science in Vision Rehabilitation. A social worker, an occupational therapist and an orientation and mobility instructor complete the team.

Unfortunately, for many of those suffering from visual impairment including students and senior citizens, most of the low vision eye care and all of the specialized optical devices are not covered by medical insurance. Additionally, only 5% of low vision individuals receive any low vision information or care from the other health care providers they know.

It is critical that low vision individuals get help with all aspects of their impairment—assistance that the Moore Eye Foundation can provide.

The Foundation is dedicated to helping all low vision patients regardless of their ability to pay. It works to educate patients, other doctors, and the public about vision rehabilitation and what is available to create a better quality of life, and to perform research to investigate new devices. To that end, support groups are held at each office location including Abington Memorial Hospital in Montgomery County, the Healthplex at Springfield Hospital in Delaware County and Oaklands Corporate Center of Exton in Chester County. Seminars are offered at schools, community living residences, health fairs and religious groups. Please consider donating your time or making a financial contribution to: Moore Eye Foundation, Healthplex Pavilion II, Suite 125, 100 West Sproul Road, Springfield, PA 19064, Attn: Dr. Georgia Crozier

IRS Claims “Tighter Enforcement”

Don't be too upset by the government's claim of more audits. Chances of a full blown audit remain miniscule – less than 2 out of 1,000 returns filed in 2007. Meanwhile, limited audits by mail came in at 8 out of 1,000. Don't look for a dramatic shift in these numbers soon – even if the Service had the cash to hire new agents, it would still take years to train them.

New Securities Reporting

A new mandate for stock cost basis reporting to the IRS will apply only to securities bought after 2009 – giving brokers time to program their computers.

IRS Collection

The IRS has completely abandoned its program of hiring private agencies to collect delinquent taxes.

Presidential Election and Taxes

One thing is certain in 2008 – we will elect a new president. Speculation among economists is that U.S. taxes will rise – under either party. What areas are likely to be hit:

- Social Security payroll tax
- Top tax rate of 35%
- Capital gain and qualified dividend rate of 15%
- Sale of residence gain exclusion of \$500,000

(Interesting – in 1978, the top income tax rate was 70%)

We will outline the candidate's plans for income taxes as the election nears. Most likely, increases will be voted on by Congress in the fall of 2009 – but could be retroactive to January, 2009 depending on how quickly they pass.

WARNING – E-mails from IRS

NEVER respond to an e-mail from the IRS – it is a scam. The IRS does not contact taxpayers by e-mail.



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Janiczek Homes
Mahoney Land Development, LLC
Medical Equipment Resources
Medical Supply, Inc.
Rolling Along
Sentry Surgical Supply
SJM Appliance Service
Thomas Arena, Inc.
TREB of Delaware

Brinker, Simpson & Co. Happenings

Bob Simpson appears through June on the local cable access program through the PICPA/State Representative program discussing "Retirement Planning, IRAs and 401ks" with State Representative William Adolph (R-165).

Aimee Marchand and Kristen McCabe participated in the PICPA's "Tax Help Hotline" with CBS-3 fielding call-in questions regarding personal tax issues.

Congratulations and best of luck to Alicia

Cavalli and new husband, Jason Smith, married in May.

Best wishes for a fun trip for Anne McPeake and her family who will spend the better part of July visiting relatives in Ireland.

We welcome Kerri Edwards to the firm. Kerri is a graduate of Widener University and will work with our business clients assisting with their accounting systems and tax planning.

Also, a welcome to Bill Bansbach, CPA, who is joining the firm. Bill

brings many years of individual and business tax planning experience and will be a great resource for our clients and firm employees.

On April 22nd, Michael Simpson was elected Committeeman for the Sixth Ward, Springfield Township, for a four year term.

On June 10th, Brinker, Simpson & Company participated with the Chester County Chamber's Business & Industry Expo by exhibiting along with hundreds of local businesses.



*"Summer afternoon -
summer afternoon -
the two most beautiful
words in the English
language."—Henry
James*



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