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**SPECIAL INTEREST
ARTICLES:**

Mutual Fund Owners Beware

The Obama Tax Plan

HIGHLIGHTS:

2008 Tax Savings Strategies 1

Taxes Brackets for 2008 1

Tax Relief for 2008 2

The Obama Tax Plan 2

New IRS Computer System
Faulted 2

Mutual Fund Owners Beware 3

Social Security Benefits to Rise 3

Minimum Tax Payments 3

New Standard Mileage Rate 3

Client Spotlight — Finca
Las Brisas 3

Adopt-A-Family for the
Holidays 4

What's New at Brinker,
Simpson & Company 4

2008 TAX SAVINGS STRATEGIES

Businesses

- **50% Bonus Depreciation** – Assets must be placed in service by December 31st to be eligible for this write-off—allowing half the cost to be written off up front. Good on new assets only.
- **SUV Purchases** – SUVs bought for business use (over 6,000 GVW) are eligible for aggressive depreciation – \$25,000 plus 50% of the cost over \$25,000. A \$50,000 SUV can generate a \$40,000 first year write-off
- **Expensing Assets (Section 179)** – Businesses can expense up to \$250,000 of assets placed in use in 2008. Next year, the limit falls to \$133,000. New and used asset purchases apply.
- **Automobiles** – Luxury auto depreciation increased to \$11,060 maximum in 2008.

Individuals

- **Capital Losses** – Capital losses from the sale of investments are deductible to the extent of capital gains, plus an excess of \$3,000 deductible against other income. Excess losses can be carried forward to subsequent tax years until used.
- **Donation of Appreciated Assets** – Donation of assets that have appreciated in value (to eligible charities) qualify for generous deductions without the recognition of income on the gains.
- **Make Itemized Deductions Count** – Many higher income taxpayers lose a significant portion of their itemized deductions. These deductions are reduced by 3% of income over certain levels based on filing status.
- **AMT Effect** – Deductions for excess medical expenses, taxes, and certain business and investment expenses lose their value if you are subject to AMT. Accelerating these deductions may produce no tax benefit. **Check with us if you are unsure.**

TAX BRACKETS FOR 2008

TAXABLE INCOME LEVELS

Single	Bracket	Married/Joint
\$0 - \$8,025	10%	\$0 - \$16,050
\$8,026 - \$32,550	15%	\$16,051 - \$65,100
\$32,551 - \$78,850	25%	\$65,101 - \$131,450
\$78,851 - \$164,550	28%	\$131,451 - \$200,300
\$164,551 - \$357,700	33%	\$200,301 - \$357,700
\$357,701 +	35%	\$357,701 +

TAX RELIEF FOR 2008

In a strategic move, Senate lawmakers attached a bill that renews Alternative Minimum Tax (AMT) relief and other lapsed tax breaks to the controversial financial firm rescue bill. Worries about the tax filing season were erased because the bill's passage gives the Internal Revenue Service plenty of time to get the breaks onto the 2008 forms.

AMT – The exemptions for 2008 will be higher, moving some taxpayers from AMT and reducing the tax (only slightly) for others.

IRA to Charity – Tax free direct payments from IRAs to charities can be made for 2008 and 2009.

Energy Savings – Credits for coal and wind energy are extended through 2009. Solar and fuel cell credits are good until 2016. Energy savings improvements on commercial properties can be written off through 2013. While the credit for efficient home improvements is not available for 2008, it will be reinstated as of January 1, 2009 and won't lapse until 2017.



THE OBAMA TAX PLAN

What to expect from the new administration's tax plan. Here are some highlights:

For Individuals:

- Increase top tax rates from 33% to 36% and 35% to 39.6%. Looks like this will be put off until 2010 or even 2011 given current economic conditions.
- Capital Gain and Qualified Dividend rate raised from current 15% to 20% for incomes over \$250,000.
- Eliminate income tax on seniors with income under \$50,000.
- Allow penalty free early distributions from retirement plans up to \$10,000.
- Temporarily suspend Required Minimum Distribution rules for retirement plans.
- Create a payroll surtax of 4% on earnings over \$250,000.
- Establish work and mortgage credits.

For Businesses:

- Establish \$3,000 credit for added full time employees.
- Extend the \$250,000 Section 179 write-off for assets purchased.
- Credit up to 50% of health insurance premium paid.
- Make Research and Development tax credits permanent.

For Estates:

- Exempt the first \$3.5 million of estate value, tax the excess at 45%.

We will update you in 2009 as these changes materialize.

NEW IRS COMPUTER SYSTEM FAULTED

Two new Internal Revenue Service computer systems that will eventually cost taxpayers almost \$2 billion are being put into service despite known security and privacy vulnerabilities. The IRS said, as noted in the watchdog report, that it had implemented many of the inspector's recommendations and stressed that no taxpayer data had been harmed.

SOCIAL SECURITY BENEFITS TO RISE

Starting in January, the Social Security Administration has approved the largest social security increase in more than a quarter-century. 50 million people's social security benefits will increase 5.8 % in 2009 – an average of \$63 per check. Watch for limits on the increases based on 2007 income levels.

MINIMUM TAX PAYMENTS

To avoid IRS penalty charges, make sure you have the minimum tax paid in by January 15, 2009. What is the minimum – either 90% of this year's total tax, 100% of last year's total tax, or 110% of last year's after certain income levels. The penalty is actually equivalent to an interest charge based on the amount that should have been paid. **Contact us to review your situation if you have not yet.**

NEW STANDARD MILEAGE RATE

The 2009 standard mileage rates for employees, self-employed individuals, or other taxpayers to use in computing the deductible costs of operating an automobile for business is \$.55. Visit www.brinkersimpson.com for additional rate change information.

MUTUAL FUND OWNERS BEWARE

If you have non-retirement money invested in mutual funds, you need to be aware that many funds will be passing through Capital Gains to their shareholders despite some significant declines in fund values. Many mutual funds were required to sell their positions to meet the demands of liquidating shareholders over the last few months. If the funds had gains in the positions sold – these gains will be passed through. Losses from mutual funds can be recognized only when you sell shares of the fund.



Client Spotlight – FINCA LAS BRISAS Project

Talk with Brinker, Simpson & Company client Al Benner about his vacation property and you will get the sense that you're listening to a survivalist, ecologist, farmer and surfer all rolled into one. A successful entrepreneur with twin toddlers and multiple businesses, Al has created a place where people can grow their own food, live "off the grid" with sustainable energy, and live in harmony with the natural world and the local people. At the same time, he has found a gorgeous vacation spot.

Al, his wife Deena and a few close friends purchased 150 acres of land in the mountains overlooking the Pacific Coast in Guanacaste, Costa Rica. Each took dibs on a 1.25 acre, ocean view lot, and they are selling 15-20 additional lots to like-minded individuals who appreciate sustainable living. The rest of the rugged, mountainous "farm" is set aside to reforest, grow food or explore.

Complete with 50 foot waterfalls, mango trees, howler monkeys, and even a planned community center with an eco-friendly swimming pool, Finca Las Brisas (Farm of the Breezes) combines eco-tourism, self-sufficiency, and long-term real estate investing.

Completely energy independent, Finca Las Brisas is the kind of eco-community where people can build a modest vacation home while conserving energy with local people and resources. Community members can work the land and share in the harvest. Or, they can head down the road to nearby beaches and surf, sport fish, or enjoy many other water activities.

If you are interested in finding more information about the Finca Las Brisas project, visit:
<http://www.fincalasbrisas.org/> or contact us.



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deserve!*

What's New at Brinker, Simpson & Company, L.L.P.



For Thanksgiving this year, staff at Brinker, Simpson & Company put together a Food Basket Program. Staff added their personal

touches to decorating boxes and baskets and filling them with everything a family would need to host their own Thanksgiving meal. The staff delivered all of the baskets to needy families in the area.

We welcome Veronica Gallagher who joined the firm in November as Manager.

Michael Simpson was recently elected President of the Springfield Country Club's Golf Advisory Board.

Adopt-A-Family for the Holidays

Brinker, Simpson & Company will once again contribute to the "Adopt-A-Family" program. Clients, friends, and staff have, for the past 7 years, provided a spectacular holiday for local families who otherwise would not have a very happy one. If you would like to join in helping with this very rewarding program, contact Anne McPeake at 610-544-5900 or e-mail her at amcpeake@brinkersimpson.com for further details.



*The Partners and Staff of Brinker, Simpson & Company wish
you a joyous holiday season and a prosperous new year!*