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NEWSLETTER
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BUSH SIGNS 2008 STIMULUS PACKAGE

Under the law, many American households will receive \$300 to \$1,200 in tax rebates. Small businesses will also benefit from the new law. Beginning in 2008, small businesses will be able to write off \$250,000 for qualified equipment purchases. This deduction is limited to companies that buy less than \$800,000 in capital equipment during the year. This intends to limit the deduction to small businesses. Also, a business of any size will be allowed to depreciate 50% of the cost of equipment, with the balance to be depreciated according to IRS rules.

Companies experiencing losses will not be able to take advantage of the \$250,000 write off. It applies only to profitable companies and you cannot use this deduction to create a taxable loss. Air conditioning or heating units, or structural parts of a building such as replacement windows, cannot be written off under this provision but they can be deducted under normal depreciation rules.

Also, the new law does not change the deduction limit on sport utility vehicles which is still limited to \$25,000.

MORE 2007 FEDERAL INCOME TAX CHANGES

Pension Plans

For 2007 (and 2008), the contribution limit for employees who participate in 401(k), 403(b) and most 457 plans rises \$15,000 to \$15,500. The catch-up contribution limit for those aged 50 to 70-1/2 remains at \$5,000. For SIMPLE pension plans, the limit is also up \$5,000 to \$10,500, and the catch-up limit remains \$2,500.

Debt Forgiven

For 2007 through 2009, up to \$2 million of debt forgiven on your principal residence can be excluded from taxable income. Debt reduced through mortgage restructuring as well as mortgage debt forgiven in connection with a foreclosure qualify for this relief.

ESTATE TAX (also called the "Death Tax")

Losing the family farm (or a small business) to the federal estate tax is a myth, says an Iowa State University economist. "He had searched far and wide but had never found a case in which a farm was lost because of estate taxes—it's a myth."

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