

News Release



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FOR IMMEDIATE RELEASE

NEW LAW PUTS YOUR CHECK IN THE MAIL—BUT YOU CAN GET EVEN MORE!

Some Individuals Will Be Entitled to Even Larger Payments Under the Economic Stimulus Act—By Picking the Best of Two Years

New York, NY, February 8, 2008 – While the centerpiece of the Economic Stimulus Act involves sending rebate checks (or making electronic bank deposits) to individuals, the net effect of the payment calculation will give individuals the opportunity to choose the best one out of two years, according to Bob D. Scharin, RIA Senior Tax Analyst from Thomson Tax & Accounting, a part of The Thomson Corporation (NYSE:TOC, TSC:TOC). “You can safely say that this Act provides taxpayers with more benefits than necessarily meet the eye.”

“The plan speaks in terms of the payments being a credit on the 2008 tax return, and checks will be sent out based on 2007 tax return data,” explains Scharin. “Yet, individuals will be able to ‘reconcile’ their payment amount next year using their 2008 income tax return. If the payment would be larger based on figures from the 2008 return, the excess will be a credit against 2008 liability. On the other hand, if the taxpayer turns out to have received more using the 2007 return than he or she would be eligible to get with the 2008 data, that excess need not be repaid to the government.”

“This means that because 2008 has just begun, you still have plenty of time to implement money-saving moves,” says Scharin. Those strategies from Thomson Tax & Accounting are listed after a basic description of basic payment entitlements.

Payment amount. The basic payment amount taxpayers receive via this Act is the greater of:

1. The individual’s tax liability, not to exceed \$600 (\$1,200 for joint return filers).
2. \$300 (\$600 for joint return filers) if the individual has at least (a) \$3,000 of earned income, Social Security benefits, and veterans’ disability payments, or (b) \$1 of net income tax liability and gross income greater than the sum of the applicable basic standard deduction amount and one personal exemption (two personal exemptions for a joint return).

In addition, an individual who is eligible for a basic stimulus payment may also get an additional \$300 payment for each qualifying child. To be eligible for the stimulus payment, the individual cannot be a nonresident alien; an estate or trust; or a dependent.

Eligibility for the payments begins to phase out at \$75,000 of adjusted gross income (\$150,000 for joint filers). Under this provision, the payment is reduced by 5% of income exceeding these amounts.

Thomson Tax & Accounting Planning Strategies. For the many individuals who will get the maximum stimulus payment using either their 2007 or 2008 earnings and tax liability, no planning is needed. Yet for those individuals who do not max out, the “best year out of two” feature presents planning opportunities. “If your income is just outside of the eligibility or phaseout range, a little tax planning in 2008 may go a long way toward increasing the stimulus payment you receive,” Scharin says. For instance:

- Individuals who are just above the phaseout thresholds for 2007 should consider ways to reduce their 2008 adjusted gross income in order to increase their stimulus payment (in addition to enjoying the usual income tax savings that come from reducing adjusted gross income). Doing this can be as simple as increasing contributions to a Section 401(k) plan or deductible IRA, or selling assets that will produce a capital loss. (Furthermore, individuals have until April 15, 2008 to reduce their 2007 adjusted gross income by making a deductible IRA contribution-- assuming they are eligible to make a deductible IRA contribution for that year.)
- A taxpayer who owes no income tax and who does not meet the \$3,000 earned income threshold can gain eligibility for the stimulus payment by increasing gross income in order to owe a little tax. This can take the form of realizing capital gains, converting funds from a traditional IRA to a Roth IRA (if eligible), or even taking a distribution from a traditional IRA. Conceivably, having an income tax liability of \$1 can entitle an individual to a \$300 or larger stimulus payment.
- Low-income individuals with some wages can entitle themselves to the equivalent of a year-end bonus—in the form of the stimulus payment—if they can raise their earned income to the \$3,000 mark. For instance, an early retiree who is not yet entitled to Social Security benefits and has a couple thousand dollars of earnings from part-time or seasonal employment would stand to gain an extra \$300 or more from working enough to get the required \$3,000 of earnings.
- Affluent parents will have an additional tax incentive for children to not qualify as dependents. High-income individuals would not be eligible for a stimulus payment, but a non-dependent child who, for instance, is attending college, is likely to have a more modest income and a tax liability under the new-for-2008 kiddie tax rules. (In 2008, the so-called kiddie tax rule taxes the investment income of an up-to-age-23 college student as if it were earned by his or her higher-taxed parents.) This could entitle the child to a stimulus payment if he or she is not a dependent of another taxpayer.

Keep in mind that these payments are tax-free, which make them more valuable to a taxpaying individual than a similar amount of wages or investment income.

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