



THOMSON REUTERS

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NEWS RELEASE

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THOMSON REUTERS TAX ANALYST PROVIDES YEAR-END PLANNING CHECKLIST

Smart Options in the Face of Volatility

New York, NY, November 17, 2008 –We may have a new President-Elect, but taxpayers have only six weeks to make certain moves that will help ensure tax savings when they file in April 2009. According to Bob Trinz, Senior Tax Analyst for the Tax & Accounting business of Thomson Reuters, “Factors that challenge year-end planning include the stock market’s swoon, the economic climate, and the strong possibility of tax changes next year. In fact, there might be another economic stimulus package enacted before the end of this year.”

“The good news is that Congress has acted to “patch” the AMT problem for 2008, has retroactively reinstated a number of tax breaks (such as the option to deduct state and local general sales tax instead of state and local income tax and the above-the-line deduction for higher education expenses), and has created new tax breaks that go into effect for the 2008 tax year (including a tax credit for first-time homebuyers, a nonitemizers’ deduction for state and local property tax and a nonitemizers’ deduction for certain disaster losses),” says Trinz. Also, for 2008, businesses enjoy tax breaks such as a beefed-up expensing option and a 50% bonus first-year depreciation write-off for most machinery and equipment placed into service this year and a reinstated research credit.

Here is a checklist of actions based on current tax rules that may help you save tax dollars if you act before year-end:

- Increase the amount you set aside for next year in your employer’s health flexible spending account (FSA) if you set aside too little for this year. Remember to budget for tax-free reimbursements for over-the-counter drugs.



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- If you become eligible to make health savings account (HSA) contributions in December, you can make a full year's worth of deductible HSA contributions for 2008.
- Realize losses on stock while substantially preserving your investment position. There are several ways this can be done. For example, you can sell the original holding, then buy back the same securities at least 31 days later.
- Postpone income until 2009 and accelerate deductions into 2008 to lower your 2008 tax bill, which may enable larger deductions, credits, and other tax breaks for 2008 that are phased out over varying levels of adjusted gross income (AGI). These include IRA and Roth IRA contributions, conversions of regular IRAs to Roth IRAs, child credits, higher education tax credits, the above-the-line deduction for higher-education expenses, and deductions for student loan interest. Postponing income is desirable for those taxpayers who anticipate being in a lower tax bracket next year due to changed financial circumstances.
- Consider converting traditional-IRA money invested in beaten-down stocks (or mutual funds) into Roth IRA, if you're eligible. "Keep in mind that such a conversion will increase your AGI for 2008," advises Trinz.
- It may be advantageous to try to arrange with your employer to defer a bonus until 2009.
- Consider using a credit card to prepay expenses that can generate deductions for this year.
- Estimate the effect of any year-end planning moves on the alternative minimum tax (AMT) for 2008. "Many tax breaks allowed for purposes of calculating regular taxes are disallowed for AMT purposes."
- If you are thinking of making energy saving improvements to your home like extra insulation or energy saving windows, consider postponing installation until 2009. A credit of up to \$500 may be available for these improvements if made next year (but not this year).
- Substantial tax credits are available for installing energy generating equipment (such as solar electric panels or solar hot water heaters) to your home.
- If you are thinking of buying a hybrid vehicle eligible for a tax credit, check to see if it's eligible for the credit, and, if so, purchase it before year-end.



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- You may want to settle an insurance or damage claim to maximize your casualty loss deduction this year.
- If you are self-employed, be sure to set-up a self-employed retirement plan.
- Save gift and estate taxes with gifts sheltered by the annual gift tax exclusion before the end of the year. You can give \$12,000 in 2008 to an unlimited number of individuals but you can't carry over unused exclusions from one year to the next.
- Consider extending your subscriptions to professional journals, paying union or professional dues, enrolling in (and paying tuition for) job-related courses, etc., to bunch into 2008 miscellaneous itemized deductions subject to the 2%-of-AGI floor.

“These are some of the year-end steps that can be taken to save taxes as of now,” says Trinz. “Since there have been a number of recent laws carrying tax changes, be certain to check with your tax professional before making any big decisions.”

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