

Dear *Client*,

As the year comes to an end, it is once again time to file your taxes.

With the passing of the Emergency Economic Stabilization Act of 2008 and the Housing Rescue and Foreclosure Prevention Act of 2008, tax laws continue to change and get more complex. Many of the new provisions may affect your 2008 tax return, and we at **PROFESSIONAL SERVICES TEXAS** are prepared to provide the services required to ensure that you benefit from these tax law changes.

Described below are tax laws that may affect your 2008 tax return:

Recovery Rebate Credit

If you didn't receive your economic stimulus payment in 2008, you can still receive a payment by taking the Recovery Rebate Credit in 2009. If circumstances occurred in 2008 that would increase your payment (such as the birth of a child), you can receive the credit less the amount of the economic stimulus payment received in 2008.

First-time Homebuyer Credit

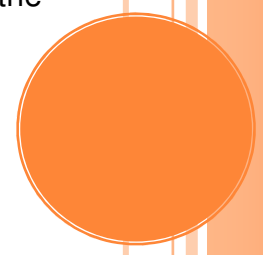
The First-time Homebuyer Credit effectively provides a long-term, interestfree loan from the government. If you qualify as a "first-time homebuyer," you can claim a refundable tax credit for a qualifying home purchased in the U.S. after April 8, 2008, and before July 1, 2009, equal to the lesser of 10% of the purchase price of the home, or \$7,500 (\$3,750 if married filing separately).

Child Tax Credit

There are new tax laws that enhance the Child Tax Credit. The refundable amount is now calculated on the amount of earned income that exceeds \$8,500 (previously \$12,050), and new laws change the definition of a "qualifying child."

Personal Exemptions and Standard Deductions

For 2008, each personal exemption you can claim is worth \$3,500 (up by \$100 from 2007). Also, the standard deduction rises to \$10,900 for joint filers, to \$5,450 for single filers, and to \$8,000 for head-of-household filers.



Additional Standard Deduction for Real Property Taxes

If you take the standard deduction, you may be eligible for an increase. The Housing Assistance Tax Act of 2008 allows an additional standard deduction for real property taxes for non-itemizers through 2009 to a maximum of a \$500 additional standard deduction (\$1,000 for joint filers). For 2008, the \$10,900 standard deduction for joint filers will increase to a maximum of \$11,900 with the additional standard deduction for nonitemizers. The \$5,450 standard deduction for single filers will increase to a maximum of \$5,950, and the standard deduction for head-of-household filers will increase from \$8,000 to \$8,500.

General Sales and Use Tax Deductions

Taxpayers can still elect to take state and local general sales and use taxes as an itemized deduction instead of deducting state and/or local income taxes.

Higher Education Expense Deductions

You may be eligible to take up to a \$4,000 higher education expense deduction for qualified tuition and related expenses paid during the tax year for you, your spouse, or your dependent.

Educator Expense Deductions

Teachers and other education professionals can deduct up to \$250 of out-of-pocket expenses, including the cost of books, supplies, equipment, and software used in the classroom, regardless of whether or not they itemize.

Tax Credits for Alternative Motor Vehicles

You may be eligible for a tax credit if you purchased a hybrid passenger car or light truck in 2008.

Tax Credits for Energy-Saving Home Improvements

Various credits are available if you implemented energy-efficient improvements to your existing home, or if you purchased a residential energy-efficient property.

AMT Patch

Congress included an Alternative Minimum Tax (AMT) patch in the new law. Under the new law's patch for the 2008 tax year, the AMT exemption amounts are \$69,950 for joint filers and surviving spouses, \$46,200 for single and head-of-household filers, and \$34,975 for married couples filing separately.

IRA Contributions, Deductions, and Tax-Free Distributions

The maximum IRA (traditional or Roth) contribution increases from \$4,000 to \$5,000. Filers who reach age 50 before the end of 2008 can contribute another \$1,000. You can take a full IRA deduction if your modified adjusted gross income is less than \$85,000 (married filing jointly) or \$53,000 (single or head of household). A partial deduction is allowed until your adjusted gross income reaches \$105,000 (married filing jointly) or \$63,000 (single or head of household). You can also take a tax-free distribution from your IRA if it is for charitable purposes.

Debt Forgiveness

Due to the housing crisis and the rise in foreclosures, the rescue plan extended the Mortgage Forgiveness Debt Relief Act of 2007. Normally, debt forgiveness results in taxable income, but under the Mortgage Forgiveness Debt Relief Act, taxpayers can exclude debt forgiven on their principal residence if the balance of their loan was less than \$2 million.

Please contact us if you want more details on the new changes or if you would like to discuss how the new changes could affect your 2008 tax return.

Cordially,

PROFESSIONAL SERVICES TEXAS

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