

Dear Friends of Our Firm,

The deadline for filing your 2008 tax return is approaching fast. Fortunately, you can still take advantage of tax-saving opportunities on your return. Although every situation is different, here are several tried-and-true techniques:

**Charitable donations:** Many taxpayers still are acclimating to the tougher substantiation rules for charitable donations that went into effect in 2007. Assemble the records of all charitable gifts made last year. Be prepared to back up the entries on your '08 return.

**Section 179 deductions:** Under Section 179 of the tax code, a self-employed individual can currently deduct up to \$250,000 of qualified business assets placed in service in 2008. Plus, you can combine this tax break with 50% "bonus depreciation" for many of the same assets.

**State and local taxes:** The 2008 economic stimulus law reinstated the tax break allowing individuals to deduct state sales tax in lieu of claiming a state income tax deduction. Figure the deduction both ways. Then you can simply claim the larger amount on your tax return.

**Stock gains and losses:** If you're like most taxpayers, the stock losers outnumber the winners for 2008. If you have a net loss, use the excess to offset up to \$3,000 of highly taxed ordinary income. On the other side of the coin, the maximum tax rate for net long-term capital gain is only 15% (0% for certain lower-income taxpayers).

**Education tax breaks:** Parents of college students may be able to claim one of two special tax credits or the tuition deduction. But both credits phase out at relatively low income levels. In contrast, the tuition deduction is more attainable. The deduction is \$4,000 for an AGI of \$130,000 or less; \$2,000 for an AGI up to \$160,000.

**Mutual fund sales:** With the stock market dropping like a rock last year, you may have managed to sell some mutual fund shares before their value hit rock bottom. Remember to adjust your basis if you've been automatically reinvesting dividends. Otherwise, you're effectively paying tax twice.

**Homebuyer's credit:** The 2008 federal housing law created a new tax credit for first-time homebuyers. See our special update about this exciting change.

These are just a few of the possible ways to reduce your tax liability for 2008. Schedule a meeting to discuss your personal situation by calling us at (732) 643-1003. We'll be glad to provide whatever assistance you need.