

## Change is Coming!



(my son Kevin born 8/31/2008)

As promised, for better or worse, change is on its' way. Not since the taxpayers relief act of 1997 have we been faced with such an overhaul to tax policies and procedures.

There will be restructuring. Change has come and there is more on the horizon. I'll try to give a synopsis of big items that may be effecting you soon.

- Stimulus payments - keep track of how much you received. It will be subtracted from your refund this year. If you don't report the correct amount received, your return (and refund) will be delayed when filed.
- The Commissioner has announced an overall increase in audits. Make sure to maintain supporting documentation to thwart future issues.
- The tax bracket hikes promised are going to be delayed. At this point, no time frame has been provided.
- 401(k) and IRA sufferers should consider the benefits of a Roth conversion.

- Overall retirement plan ceilings have been increased. Retiree's over 70 1/2 will NOT be subjected to required minimum distributions this year.
- Depending on income, you may be able to recognize capital gains and qualified dividends in 2008, 2009, and 2010 tax free.
- Is your child or grandchild working? You may consider making contributions to a Roth IRA on their behalf.



- We are all subject to paying more into social security this upcoming year. Contribution limitations have been increased.
- Seniors earning less than \$50,000 may be tax exempt in the near future.
- Medical and dependant care flexible spending accounts are increasing in popularity. They are an excellent avenue from a tax perspective. You need to notify me if you have utilized FSA income so I can adjust your return accordingly.

- Anyone considering making a second home their primary residence for two years to utilize the \$250,000 capital gains exclusion has missed the opportunity. New law states the ratio of ownership as a primary/secondary property will be allocated against the exclusion.



- Joe the plumber is going to have some problems. Apparently, one of the first items on the 2009 to do list is to make all small business income subject to self employment tax. This means dividends will be hit with the sting tax. Additionally, limited partners may very well be subjected to the same tax. Large corporations will not be effected by this.

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- Massachusetts residents—please remember your health insurance forms for your taxes (form 1099HC). The State is cracking down on that this year.
- I have extended my operating hours this year. I am also offering a rush service on returns that are dropped off or mailed in. Files not missing data will be returned completed within 5 days.
- I appreciate your referrals and am happy to work with your friends and family. Please make sure they mention you when calling in. I will be limiting new clients outside of referrals.
- It's a rough road ahead in the tax world. I look forward to navigating it with you. I am utilizing every avenue available to keep up to date with the almost constant changes of recent times.

James Maguire

