

Get A Head Start On Tax Planning For 2008

It's still a month until most of us will file our 2007 tax returns, but it's a good idea to keep in mind key tax changes that will affect our 2008 returns. Here are some of the highlights:

Wider tax brackets: In one of the rare cases in life where inflation looks like a good thing, all tax-bracket thresholds will be increasing. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$65,100, up from \$63,700 in 2007.

Personal exemption: The personal exemption – which you're allowed to claim for yourself and each dependent you have -- will go up \$100 to \$3,500 for 2008.

Standard deduction: Single filers will see this deduction increase \$100 from 2007 levels to \$5,450. Married couples filing jointly will see their standard deduction rise to \$10,950, \$200 more, and the amount for heads of households who don't itemize will be \$8,000, up \$150. For married taxpayers age 65 and older, they'll be allowed to add \$1,050 to the regular standard deduction – unchanged from 2007, and singles will get an extra \$1,350 compared to \$1,300 in tax year 2007.

Phase-out of itemized deductions: Taxpayers will start to see the value of their itemized deductions go down after their taxable income exceeds \$159,950 in 2008. That's \$3,550 higher than in 2007.

Retirement plan contributions: The contribution amount allowed for Roth IRAs begins to phase out for joint filers with incomes exceeding \$159,000 (up from \$156,000 in 2007) and \$101,000 (up from \$99,000) for singles and heads of household. For contributions to a traditional IRA, the deduction phase-out range for an individual covered by a retirement plan at work begins at income of \$85,000 for joint filers (up from \$83,000) and \$53,000 for a single person or head of household (up from \$52,000). The annual contribution limit for most defined contribution plans rises to \$46,000, up from \$45,000 in 2007.

Hope education credit: The maximum Hope credit, available for the first two years of post-secondary education, is \$1,800, up from \$1,650 in 2007.

Energy breaks: The federal government extended its credit on 30 percent of qualified solar generators for residential use.

The Kiddie Tax: The amount of investment income a child under age 19 -- or a full-time student under 24 -- can earn before excess earnings are taxed at his or her parents' rate will go up \$100 to \$1,800 in 2008.

Tax-free parking and transit passes. Employers will be allowed to give employees parking valued at \$220 a month as a tax-free fringe benefit in 2008, up \$5 from 2007.

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