



Tax Pro News

By Practitioners, For Practitioners

Volume 3, No. 8

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(with Bob Jennings)

Estates & Trusts
(With Charlie Slade)

Business Tax In Depth
(With Bob Jennings)

1040 In Depth
(With Bob Jennings & Joel Dinsfriend)

2008 Clergy Tax
(With Bob Jennings)

Tax Season's Last Seminar with the most up-to-date information in **Disneyland, CA:** 1/24-25/08

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- Ø 2007 1040 Tax Update
- Ø S Corporation update on health insurance

2007 1040 Tax Update

I 2007 Mortgage Relief Bill

On 12/20/07 President Bush signed HR 3468, The Mortgage Forgiveness Debt Relief Act of 2007 into law. This new law makes the following changes:

- Up to \$2,000,000 of qualified principal residence debt forgiveness (\$1,000,000 MFS) (use home residence definitions) may now be excluded when discharged in whole or part for any reason when caused by a decline in value of the residence. This exclusion does not apply if the reduction is from services rendered to the lender. This amount is for acquisition indebtedness which is the amount paid to buy, build or improve a home.
 - The relief applies to refinancing of qualifying debt to the extent that the refinancing did not exceed the amount of the original debt.
 - Forgiveness of debt on vacation or other second homes will still count as income.

- Equity loans for personal purposes or investments do



2008 Seminar Update

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-Some of the country's best speakers.

-One of the industry's best reference manuals,

-E-Book CD of every seminar you attend,

-Hyperlinked CD to the underlying free tax research library,

-User-friendly manuals organized by Form with divider tabs,

-Our 1040 seminars include our *Fingertip Tax Facts*, a laminated 2 page quick reference form

-Highlighter/Pen Combo

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not qualify for the exclusion, nor do loans to purchase second homes. The forgiveness of home-equity debt where the cash was used to pay off credit card debt, education, medical expenses, etc is fully taxable.

- In a Title 11 bankruptcy case where only part of the loan is for qualified principal indebtedness the exclusion only applies only to qualified indebtedness.
- Taxpayers who take advantage of this new provision will have to reduce their "basis" in their homes by the amount excluded. For example, someone who paid \$300,000 for their home and had \$20,000 in mortgage debt forgiven will figure that their "basis" in their home is now \$280,000. If they later sell their home for \$350,000, their gain will be \$70,000 rather than \$50,000.
- The above rules are effective for debt discharges between January 1, 2007 and December 31, 2010.
- The special Schedule A, Line 13 deduction for mortgage insurance premiums has been extended through December 31, 2010. The deduction is permitted for contracts entered into after December 31, 2006, and prior to January 1, 2011. It is phased-out as AGI goes from \$100,000 to \$110,000 (or \$50,000 to \$55,000 for Married Filing Separate).
- The penalty for failure to file partnership and S corporate returns has been increased from \$50 per owner for up to 5 months to \$85 for up to 12 months effective for returns required to be filed after 12/20/07.
- Effective with tax years beginning on or after January 1, 2008, gain on the sale of a personal residence that had been jointly owned by a surviving spouse and a deceased spouse for the will qualify for the full

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Upcoming Seminars

1/3-4 1040 in depth, St. George Utah

1/7-8 1040 in depth Virginia Beach, VA

1/14-15 1040 in depth Minneapolis

1/24-25 1040 in depth including year end 1040 changes Disneyland Anaheim, California

2008 Technology

Seminars: 5/7-
Harrisburg, PA 5/8 Atlanta,
GA 6/6 Portland,
OR 6/28 Anchorage, AK
7/21 Oklahoma City, 7/25
Albuquerque, NM 8/15 Fargo,
ND 8/21 Scranton, PA
9/3 Evansville, IN 9/4 South
Bend, IN 9/8 Rochester,
MN 9/9 Bloomington, MN
12/10 Coeur d'Alene

2008 Accounting

Seminars: 5/19 Ames,
Iowa 6/2-3 Little Rock,
6/5 Portland, OR 6/9 Ft.
Wayne, IN 6/10 Grand
Rapids, MI 7/8 Fargo,
ND 7/14 Chicago, IL
7/15 Cleveland, OH 7/23 Ft.
Collins, CO 8/11 Sarasota,
FL 8/13 Orlando, FL
9/10 Bloomington, MN 9/29-
30 Bloomington, IL

2008 Tax Strategies for Small

Business Seminars:
7/28 Ft. Collins, CO 8/4
Cleveland, OH
8/8 Oklahoma City, OK 10/24
Portland, OR

2008 Estate Seminars: 6/27
Anchorage, AK 7/15 Chicago,
IL 7/16 Cleveland, OH 7/17
Louisville, KY 7/22 Ft. Collins,
CO 7/24 Albuquerque, NM
8/12 Sarasota, FL 8/14

\$500,000 exclusion if the sale closes no later than two (2) years after the date of death of the deceased spouse. Previously the full exclusion was only available if the home was sold during the year that the spouse died.

- Volunteer firefighters and volunteer “emergency medical responders” can exclude from income up to \$360.00 of refunds, rebates or payments received because of their volunteer services, effective with tax years beginning after December 31, 2007 (tax year 2008).

I 2007 Alternative Minimum Tax Relief

Signed by the President on December 27, 2007, this law makes the following changes:

- The AMT exemption for 2007 has been increased to \$66,250 (MFJ) and \$44,350 for others, \$33,125 for MFS. This fix expires 12/31/2007!
- An allowance against AMT for these nonrefundable personal credits has been renewed and extended through December 31, 2007.
 - Dependent care credit,
 - Credit for the elderly and permanently and totally disabled,
 - Mortgage credit,
 - Child tax credit, (extended beyond 2007)
 - Hope and Lifetime Learning Credits,
 - Adoption Credit, (extended beyond 2007)
 - Saver's Credit, (extended beyond 2007)
 - Nonbusiness energy property credit for energy-efficient improvements to a principal residence,
 - Residential energy efficient property credit for photovoltaic, solar hot water, and fuel cell property, and
 - First-time DC homebuyer credit.

Orlando, FL 8/15 Port St.
Lucie, FL

2008 1120 Cities: 7/18
Montreal, Quebec 9/5 Ft.
Wayne, IN 9/11-12 Det.Lk.,
MN 9/16-17 Indianapolis 9/18-
19 Portland, OR 9/22-23
Oklahoma City 9/25-26 Ft.
Collins, CO 9/30-10/1 Fairfax,
VA 10/2-3 Williamsbrg,VA 10/7-
8 Cleveland, OH 10/16-17
Fargo, ND 10/20-21 Chicago,
IL 10/22 Great Bend, KS 10/29
Scranton, PA 12/2 Wisconsin
Dells 12/18 Sarasota, FL
12/19 Orlando, FL 1/7/09
Minneapolis 1/8/09 Anchorage

2008 1040 Cities: 10/27-28
Fairfax, VA 10/29-30
Shreveport 10/30-31 Evansville
IN 10/30-31 Louisville, KY 11/3-
4 Las Cruces, NM 11/3-4
Colorado Sprngs 11/5-6 South
Bend 11/6-7 Tulsa, OK 11/10-
11 Ft. Collins,CO 11/11-12
Fargo, ND 11/13-14 Eugene,
OR 11/17-18 Oklahoma Cy
11/19-19 Ft. Wayne 11/20-21
Calumet, IN 11/21-22 Jupiter
Bch FL 11/24-25 Indianapolis
11/24-25 Chicago 12/1
Wisconsin Dells 12/3-4 Portland,
OR 12/4-5 Cleveland 12/8-9
Williamsburg VA 12/8-9 Twin
Falls, ID 12/8-9 Atlantic City
12/11-12 Coeur d'Alene 12/12
Fargo 12/15-16
Baltimore, MD 12/15-16 Port St
Luc.FL 12/17 Saraota, FL 12/18
Orlando, FL 1/5-6/09
Minneapolis 1/8-9/09 VA
Beach 1/9-10/09 Anchorage
1/9-10/09 Fairbanks 1/12-
13/09 Burbank 1/14-15/09
Anaheim

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Vacation 2008!

- Delayed filing will affect returns which include these forms:

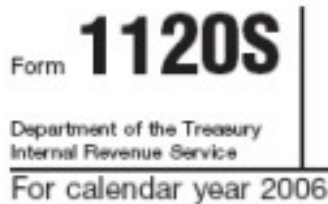
- Form 8863 Education credits,
- Form 5695 Residential energy
- Form 1040A Schedule 2
- Form 8396 Mortgage interest credit
- Form 8859 District of Columbia 1st home buyer credit

I Corrections to 2007 Form 1040 Manual

- Page What's New-7 under Form 5695 change year end from 2008 to 2007. The Energy Independence and Security Act of 2007 does not include any 1040 tax items. The extension of the current residential energy tax credits did not make it into the final bill – but may be addressed in 2008 legislation
- Page 1116-2 Item E (1) change 5 year carryforward to 10 year carryforward.

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IRS Notice 2008-1 for S Corporations

This notice changes our discussion of health insurance premiums paid for >2% shareholders in S corporations. With this notice, which is effective retroactively, as long as the S corporation pays the premiums of the shareholder, or reimburses the premiums to the shareholder, then the shareholder qualifies for the self employed health insurance deduction on the front of the 1040 **if the S corporation reports the amounts in Box 1 of the W-2 for the same year.** Whether the insurance is in the name of the corporation or in the name of the individual, is no longer relevant. Remember that the shareholder must have earned income (W-2 wages) from the S



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corporation in order to take this deduction.

Amended returns may be filed and the statement "Filed Pursuant to Notice 2008-1" should be written on the top of the form.

Additionally, in this Notice, the IRS stated that "The Service does not consider payments of accident and health insurance premiums by an S corporation on behalf of 2-percent shareholder-employees to be distributions for purposes of the single class of stock requirement of Section 1361(b)(1)(D)."

We discuss all of these issues in our [2007 Business Tax In Depth DVD](#) just recorded last week by Bob Jennings. This is the year that you *really* need to update your knowledge on 1120S and 1065 returns.

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Technology Tips

- **None this month-it's Tax Time!**



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A reflection on 2007

The year 2007 is now over-hard to believe isn't it? The older I get the faster the years pass-nothing new with that it just seems different when it affects us personally. Professionally the year 2007 exceeded any expectations we had for the seminar company. We visited with our friends in 37 states and spoke with over 5,000 professionals. My wife Jean and I wish to thank you for your support in this wonderful year. My fellow speakers: Chad Piehl, Joel Dinsfriend, Charlie Slade and David Morley all helped make this endeavor another real pleasure for me as well. And finally, Teresa Canter our seminar director, and Kathy Wright, our CPE director helped us to survive the growth. Thank you to each and everyone of you in all 37 states and to my fellow speakers and staff. We hope 2008 is a wonderful year for

all. Thanks again.

Bob & Jean Jennings

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Remember our last minute "with all the changes" 1040 In-Depth locations in St. George, Utah, and Anaheim California!

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