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MEMBER



*Special needs require special lawyers.*

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## YEAR-END TAX PLANNING TIPS

With the holidays in full gear, it's time to do some planning that can help reduce your tax bill this year.

Contributing to your retirement plan is a fast and easy way to cut your taxes, while building your nest egg. The federal limit for 401(k) contributions this year is \$15,500 if you are under 50, or \$20,500 if you are 50 or older. For 2009, the limits will increase to \$16,500 if you are under 50, or \$22,000 if you are 50 or older. You should check with your employer to see if your employer has different contribution limits. If your employer matches contributions, then you should try to contribute at least enough to receive the matching funds. Contributions must be made on or before December 31, 2008.

A traditional or Roth IRA is another way to save for retirement and possibly reduce your taxes this year. The maximum contribution to an IRA for 2008 is \$5,000 for those under 50, and \$6,000 for those 50 or older; the same limits will be in place for 2009. Your contributions to a traditional IRA may be deductible, depending on whether you are covered by a retirement plan at work and your adjusted gross income. Your adjusted gross income may permit you to contribute to a Roth IRA; for married couples filing jointly, Roth eligibility phases out at modified adjusted gross incomes (AGI) from a range of \$159,000 to \$169,000 in 2008. In 2009, Roth eligibility for this group will phase out at AGIs between \$166,000 and \$176,000. If you do not qualify for a Roth IRA because your income is too high, then you may want to open or contribute to a nondeductible traditional IRA now, and convert it to a Roth IRA in 2010, when the income limits on conversions from traditional to Roth IRAs are scheduled to expire. Your Roth IRA will continue to grow tax-free, and withdrawals may be tax-free if you follow the Roth IRA rules. You have until April 15, 2009, to open and contribute to a traditional or Roth IRA.

For the self-employed, Simple IRA contributions for 2008 are \$10,500 for those under 50, or \$13,000 for those 50 or older. These limits will increase in 2009 to \$11,500 for those under 50, or \$14,000 for those 50 or older.

Charitable giving has always been a source of deductions on your tax return. You must keep good records that show the value of the items you are donating to charity. If you donate a car, the value of the deduction will depend on what the charity receives when it sells it. Taxpayers who are 70 ½ or older may give away as much as \$100,000 annually from their IRAs directly to qualified charities. These contributions count toward the required minimum distribution for the year. Taxpayers get an exclusion from their gross incomes for the distribution, although they may not take a charitable deduction for the contribution to charity. This tax break is available in 2008 and 2009; a previous issue of the Oast & Hook News described the extension of this important plan.

There are several more traditional ways to reduce your taxes this year. If you are fortunate enough to have gains on investment income, then now is the time to offset some of those gains with losses on the investments you have been considering selling. If you have no gains to offset, then you may use up to \$3,000 of loss to reduce taxes on ordinary income, and carry forward the extra loss into future tax years. With respect to your home, you may want to make your January mortgage payment in December and deduct the interest in 2008. You may also be able to pay taxes, such as property taxes, that aren't ordinarily due until 2009. If you pay property taxes, but don't file an itemized return, then you can claim a larger standard deduction; you can claim up to \$500 of real property taxes paid, \$1,000 for joint filers, on top of the standard deduction.

You may want to start to plan for two new transportation tax breaks that will start next year. If you buy a plug-in electric car or truck, you could qualify for a maximum credit of \$7,500 to \$15,000, depending on the vehicle. The credit starts phasing out after 250,000 plug-ins are sold.

Before you use tax-saving strategies, be sure you consider the effect of the alternative minimum tax (AMT). Congress raised the amount of income exempted from the AMT to \$69,950 for married joint filers and \$46,200 for singles. This is a temporary fix, but will save more than 20 million taxpayers from paying the AMT this coming tax season. If you have not yet been affected by the alternative minimum tax, then this could be the year that it catches up with you if you are not careful. Some accountants say strategies such as using home equity to cover credit card debt could push you into the higher tax calculations of the AMT. You or your accountant should run a quick calculation before moving forward with some of the tax-saving strategies.

Oast & Hook assists clients with integrated estate, tax, and financial plans to help provide optimum solutions to the many challenges clients face.

### Ask Allie

O&H: Allie, are there special things that families can do for their pets during the holiday season?

Allie: Yes, there sure are. A recent column in the Daily Press highlighted several “to-dos” to make the holidays special for pets. Spend more time with your pets during the holidays, especially if you have some extra time off at the end of the year. This goes a long way in showing your pet how much you care for him or her. Families often take family photographs during the holidays, so don’t forget to take some new photos of your pet. You can use the photograph in a holiday card. If you travel with your pet during the holidays, keep your pet properly restrained or confined in your vehicle and stop for water and stretch breaks. I’ll share more tips in our next newsletter. Time to go find that office camera and get my holiday photograph taken.

Before I go, here is another letter to Santa: “Dear Santa Claws: I would like a goldfish of my very own. I promise all I would do is watch it swim around. Your friend, Fats.”



Please feel free to e-mail your pet and animal-related questions to Allie at: [allie@oasthook.com](mailto:allie@oasthook.com).

### Speakers

If you are interested in having an elder law attorney from Oast & Hook speak at an event, then please call Jennifer Lantz at 757-399-7506.

### Distribution of This Newsletter

Oast & Hook encourages you to share this newsletter with anyone who is interested in issues pertaining to the elderly, the disabled and their advocates. The information in this newsletter may be copied and distributed, without charge and without permission, but with appropriate citation to Oast & Hook, P.C. If you are interested in a free subscription to the *Oast & Hook News*, then please e-mail us at [mail@oasthook.com](mailto:mail@oasthook.com), telephone us at 757-399-7506, or fax us at 757-397-1267.

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