

TAXES

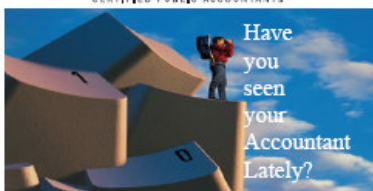
GREATER
O'HARE
ASSOCIATION

MARCH 2008

A tax loophole is "something that benefits the other guy. If it benefits you, it is tax reform."
— Russell B. Long, U.S. Senator

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IMPORTANT DATES

APRIL 24

2008 BUSINESS EXPO

**ELK GROVE PARK
DISTRICT PAVILION**

2:00 — 6:30 PM

GOVERNMENTAL AFFAIRS TEAM:

Greater O'Hare Association Governmental Affairs Team is focused on educating and activating the business community.

Through our dual mission of educating and activating we can unify our voice to be heard by legislators and community leaders.

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2008 STIMULUS PACKAGE

You've heard about it.
Now find out how to get yours.

What is it? It's an economic stimulus payment that more than 130 million households will receive starting in May. It's not taxable, and it won't reduce your 2007 or 2008 refund or increase the amount you owe when you file your 2008 return.

Are you eligible? You're eligible if you have a valid Social Security Number (SSN) and show qualifying income of at least \$3,000 on your federal tax return. Both people listed on a "married filing jointly" return must have valid SSNs to qualify for the payment — if only one has a valid SSN, neither can receive the payment.

Can you use an ITIN instead of an SSN? Taxpayers with an Individual Taxpayer Identification Number (ITIN) instead of an SSN are not eligible to receive a stimulus payment. Both people listed on a "married filing jointly" return must have valid SSNs to qualify for the payment.

Not eligible at the current time? If your circumstances change and you become eligible after you file your 2007 federal tax return, you can always file an amended return using Form 1040X. If you're not eligible this year but you become eligible next year, you can claim the economic stimulus payment next year on your 2008 tax return.

How do you get it? Just file a federal tax return for 2007, even if you normally don't have to because your income usually doesn't meet the filing threshold. You can't get it if you don't file.

How much will you get? The actual amount depends on the information contained on your tax return. Eligible individuals will receive between \$300 and \$600. Those who are eligible and file a joint return will receive a total of between \$600 and \$1,200. Those with children will get an additional \$300 for each qualifying child. To qualify, a child must be eligible under the Child Tax Credit and have a valid Social Security number.

For more information visit www.irs.gov

TAX TIP: HOME OFFICE DEDUCTION

If you use a portion of your home for business purposes, you may be able to take a home office deduction whether you are self-employed or an employee. Expenses that you may be able to deduct for business use of the home may include the business portion of real estate taxes, mortgage interest, rent, utilities, insurance, depreciation, painting and repairs.

You can claim this deduction for the business use of a part of your home only if you use that part of your home regularly and exclusively: As your principal place of business for any trade or business, As a place to meet or deal with your patients, clients or customers in the normal course of your trade or business.

Generally, the amount you can deduct depends on the percentage of your home that you used for business. Your deduction will be limited if your gross income from your business is less than your total business expenses.

If you use a separate structure not attached to your home for an exclusive and regular part of your business, you can deduct expenses related to it.

There are special rules for qualified daycare providers and for persons storing business inventory or product samples.

If you are self-employed, use Form 8829 to figure your home office deduction and report those

deductions on line 30 of Schedule C, Form 1040.

If you are an employee, you have additional requirements to meet. The regular and exclusive business use must be for the convenience of your employer.

For more information see IRS Publication 587, Business Use of Your Home, available at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Remember for the genuine IRS Web site be sure to use .gov. Don't be confused by internet sites that end in .com, .net, .org or other designations instead of .gov. The address of the official IRS governmental Web site is www.irs.gov.

GENERAL ASSEMBLY TAX BILLS

SB0005: HEALTHCARE FOR ALL

The Governor's budget address called yet again for a massive expansion in healthcare services by the state to be funded by a new payroll tax on employers. The proposal that has been floated to date is contained in SB0005, Amendment 9 and is sponsored by Senate Majority Leader Emil Jones. The tax is on employers with 10 or more employees and is imposed at a rate of 3% of wages paid to Illinois employees, not to exceed \$7,500.00 per employee per taxable year. While the tax would apply to all employers with

10 or more employees, those employers whose total expenditures for healthcare equal or exceed 4% of their Illinois wages would get a credit of 3%.

SB 1554: REVENUE TECH

Senate Bill 1554 and its trailer bill Senate Bill 783 make substantial changes to the Illinois Income Tax apportionment formula for almost all types of service businesses. The Department is planning to issue a series of new income tax regulations to implement the recent changes in the tax laws.

SB 783: STATE GOV. TECH

Amends Interstate Library Compact Act. Makes a tech change in a section concerning the compact administrator. Amends the Department of Commerce and Economic Opportunity Law of the Civil Administrative Code of Illinois. Requires the Department of Commerce and Economic Opportunity to establish and maintain, on its Internet website, an electronic searchable database that provides information regarding grants that are awarded by the Department. Sets forth the required contents of that database.



CHANGES TO TAX LAW 2007

Taxpayers should be aware of important changes to the tax law before they complete their 2007 federal income tax forms. Here are some changes that may affect your return.

1) **AMT Exemption Increased for One Year.** For tax-year 2007, Congress raised the alternative minimum tax exemption to \$66,250 for a married couple filing a joint return. The exemption rises to \$33,125 for a married person filing separately and to \$44,350 for singles and heads of household. While the vast majority of taxpayers can file as usual, about 13.5 million taxpayers who file any of five tax forms affected by recent tax law changes related to the AMT will have to wait until Feb. 11, 2008, to file their returns. IRS.gov has more information on this important subject, including downloadable copies of affected forms and questions and answers.

2) **Extender Tax Breaks Reappear on IRS Forms.** Several popular tax breaks, renewed too late to be included on 2006 forms, once

again appear as separate items on various 2007 IRS forms. As a result, unlike last year, eligible taxpayers will no longer have to follow special instructions in order to claim the deduction for state and local sales taxes, the educator expense deduction and the tuition and fees deduction.

3) **Saver's Credit.** This year for the first time income limits for the saver's credit are adjusted for inflation. The saver's credit supplements other tax benefits available to low- and moderate income taxpayers who save for retirement. Begun in 2002 as a temporary provision, the saver's credit is now a permanent part of the tax code. Use Form 8880 to claim the credit.

4) **Mortgage Insurance Premiums May be Deductible.** Some borrowers may be able to deduct mortgage insurance premiums paid on mortgages taken out or refinanced during 2007. The deduction for mortgage insurance premiums is phased out for taxpayers with

adjusted gross incomes exceeding \$100,000 (\$50,000, if married filing separately). Claim this deduction on Schedule A, Line 13. Further details are in Publication 936.

5) **New Rules for Giving to Charity.** To deduct any charitable donation of money, taxpayers must have a bank record or a written communication from the recipient showing the name of the organization and the date and amount of the contribution. Though taxpayers are already required to keep records to support their contribution deductions, this new provision is designed to provide greater certainty, both to taxpayers and the government, in determining what may be deducted as a charitable contribution. See Publication 526.

More information about the changes can be found on www.irs.gov and in various IRS documents, including the Instructions for Form 1040.

SUMMARY: FEDERAL ESTATE AND GIFT TAX

Permanent repeal of the estate tax ("death tax") is a priority. The current estate tax system can deplete the estates of those who have saved for their entire lives, force family businesses to liquidate and lay off workers, and motivate people to make financial decisions for estate tax purposes rather than for business or investment reasons.

Family-owned businesses should not be punished because they are successful or because their owners die. The United States is the land of opportunity, encouraging free enterprise and rewarding entrepreneurs. The estate and gift taxes run contrary to this basic philosophy.

Death tax repeal—phased in over a 10-year

period—was approved as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 signed into law (Public Law 107-16) on June 7, 2001.

The measure would significantly raise the unified credit exemption from \$675,000 to \$3.5 million and would protect heirs of family businesses and farms that are land or asset rich and cash poor from having to sell the firm to pay taxes.

The estate gift and generation-skipping transfer tax is very complicated and planning can be very difficult and expensive—all for a tax that currently generates little more than 1% of the total federal budget. Nonetheless, the maximum marginal tax rate on estates

can still effectively be a stifling 60%.

The Economic Growth and Tax Relief Act of 2001 (Public Law 107-16) phases down the estate tax through 2009 and fully repeals it in 2010. Because of Senate budget rules, however, the Act expires at the end of 2010, and the estate tax comes back into full bloom starting in 2011.

The Government Affairs Team strongly urges you to contact your Senator and Representative and say YES to repeal the estate tax.

For more information go to: www.greaterohare.com/news-government-affairs.asp

SMALL BUSINESS ACCESS TO CAPITAL MARKETS

Recent business scandals and the frenzied response by lawmakers, regulators, litigators, prosecutors, the media, and interest groups have raised fundamental questions about the future of an economic system that depends on innovative, risk-taking companies and vibrant capital markets to survive and prosper.

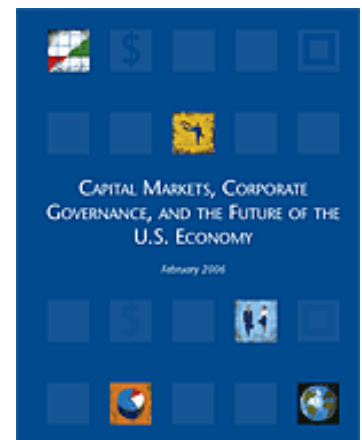
More than three years after the enactment of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), companies and markets are being bombarded with changing rules, shifting advice, new layers of cost, and duplicative compliance and bureaucracy. Politically ambitious prosecutors have weighed in to grab headlines with little regard for fairness or due process. As a result of the charges, threats, and innuendos flying through the media, it is little wonder that many Americans believe that business is on the whole a corrupt institution, that our markets lack long-term stability, and that the only solution is additional rounds of regulation and prosecution.

With all this sound and fury, there has been relatively little light and clarity brought to this critical discussion. The purpose of this docu-

ment is to clear away some of the fog so that business, government, and the public can make decisions based on facts and reason.

Inside you will find the facts to dispel some of the most common myths that have taken hold since the first of the major business scandals was exposed over four years ago. You will also find a description of the Chamber's many initiatives in this area, as indicated by the following examples:

- *The Commission on the Regulation of U.S. Capital Markets in the 21st Century
- *Recommendations to Improve Section 404 Implementation
- *Auditing: A Profession at Risk
- *Report on the Current Enforcement Program of the Securities and Exchange Commission
- *Enhancing America's Long-Term Competitiveness: Ending the Quarterly Earnings Guidance Game



Our capital markets are the means by which we funnel investment toward innovation and growth. They are the lifeblood of our economy and our global competitive advantage. Unfortunately, we are on the verge of destroying the system that feeds our businesses and creates our wealth. This report provides clear and complete information about serious risks to our capital markets system—and what we intend to do about it.