



TAX PROVISIONS OF THE BAILOUT BILL

by Samuel D. Swisher, JD, CFP®

The Emergency Economic Stabilization Act of 2008, better known as the Bailout Bill, has received quite a bit of attention because it enables the government to buy sub-prime mortgages from financial institutions. However, it also contains tax provisions that you may not know about. Here is a list of some items that may impact you.

AMT "PATCH" FOR 2008

For the past few years, Congress has been passing last minute "patches" to keep most people from paying Alternative Minimum Tax (AMT). This year they accomplished it earlier by passing this Bill. The higher 2007 AMT exemptions were not only restored, but also increased slightly. Therefore, taxpayers who were not subject to AMT in 2007 will most likely not be subject to it in 2008 unless their income has changed significantly. For taxpayers who are subject to AMT in 2008, this "patch" could potentially reduce their liability depending on their income level.

OPTIONAL SALES TAX DEDUCTION

The optional sales tax deduction in lieu of state and local income tax deduction was extended through 2009 for those who itemize deductions.

PROPERTY TAX DEDUCTION

Earlier legislation this year gave non-itemizers the ability to deduct up to \$500 (single) or \$1000 (married filing joint) in real estate taxes for 2008 only. This Bill extends the opportunity through 2009.

COLLEGE TUITION DEDUCTION

If you qualify, the \$4,000 itemized deduction for college tuition and related fees has been extended through 2009.



CHARITABLE CONTRIBUTIONS FROM IRA'S
In previous years a taxpayer over 70½ could make a charitable deduction directly from an IRA without paying income tax on the distribution. This provision was extended to 2009.

TAX-FREE MORTGAGE DEBT FORGIVENESS
Last year, legislation was passed that gave a three year break on otherwise taxable income if a mortgage debt was forgiven. This Bill extends the tax free forgiveness-of-debt-income through 2012. Thus, if homeowners have some part of their mortgage debt forgiven as part of the bailout process, there is no taxable income to them.

RESIDENTIAL ENERGY TAX CREDITS

The tax credit for expenditures to install solar electricity, water heating equipment and fuel-cell equipment in your residence was extended through 2016. The Bill provides credits for wind energy and geothermal equipment as well as energy efficient insulation, windows, doors roofs, heating and cooling equipment for 2009 (it skipped 2008). There are many caps on the amounts allowed so please check with your tax professional before using this credit.

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EDUCATOR EXPENSE DEDUCTION

The deduction of up to \$250 for personal expenditures by teachers to provide materials for their schools has been extended through 2009.

MIDWEST DISASTER RELIEF


This Bill includes tax relief provisions for victims of the recent flooding in the Midwest that occurred between May 20—Aug 1. The Midwest is defined to include Arkansas, Indiana, Illinois, Kansas, Michigan, Missouri, Nebraska, and Wisconsin.

There are two primary provisions. One allows penalty free withdrawals

or loans up to \$100,000 from 401(k)'s for people with disaster losses. The second suspends the casualty loss limitations so victims can deduct their larger losses.

FEDERAL DISASTER AREA RELIEF

For areas that are declared federal disaster areas in 2008 & 2009, taxpayers can deduct casualty losses to the extent they exceed \$500 with no limitation based on AGI.

If you would like further information on these or other provisions, please contact your Vantage Relationship Manager. 

VANTAGE NEWS

The fall season frequently means the start of something new—football season, cooler weather, school. This year, Kyle Rohrwasser, Michael's son, began his freshman year at Illinois State University. He will be pursuing a major in Finance and a minor in Business. Good luck Kyle!

Speaking of education, our very own Tom Vislisel fulfilled the requirements to become a Qualified Kingdom Advisor. The mission of Kingdom Advisors, a Christian ministry, is "to engage, equip, and empower Christian financial advisors to communicate Biblical wisdom to their clients." They help advisors apply professional principles in their practices and live out their faith in their marketplace for Kingdom. Anyone who knows Tom, knows that this fits his passion very well. Congratulations Tom!

YOU'RE INVITED

You and your friends are invited to attend a Vantage sponsored Town Hall Meeting about the economy and your investments. Jeffrey Kleintop, whom *The Wall Street Journal* calls one of "Wall Street's Best and Brightest" will give his outlook on how the current financial events affect your investments. Afterward Jeffrey and our Investment Managers, Michael Rohrwasser, Nikhil Majithia and Tom Vislisel will answer questions from the audience. The event will be held on October 24th at the Metropolis in downtown Arlington Heights. Please join us for refreshments at 6:30 pm; the program will begin at 7:00 pm.

Call your Relationship Manager or (847)590-9191 to make your reservation.

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