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Dear Clients,

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The recent volatility of our financial markets has caused significant apprehension. For those of you who have "after tax" stock investments (not IRA's, 401(k)'s etc.) which have substantially declined, should consider selling some portion, perhaps all, to generate a capital loss. After 31 days, if you deem it advisable, you can re-purchase those same securities. Capital losses are deductible to offset capital gains and then reduce ordinary income up to \$3,000 per year. Excess capital losses over \$3,000 are carried over to future years.

The highly publicized bail out bills have a myriad of tax implications. One of the provisions affecting taxpayers who claim the standard deduction provides for the possibility of a \$500 deduction (\$1,000 if married filing joint) for property taxes on real estate without the requirement of itemizing deductions.

Many of the provisions set to expire for 2008 have been extended retroactively to 2008 and 2009. You may still elect to deduct the higher of Sales tax instead of State income tax for two more years. Even if you do not itemize, you will be able to take qualified tuition costs, also for two more years. Elementary and secondary school educators, may deduct the cost of books, supplies, computer and other equipment, also for two more years. Retirees will be able to take tax free distributions from IRA accounts, if the required minimum distribution is donated direct to a charity.

If you could only sell your home, you would be able to exclude up to \$250,000 if you are single, or \$500,000 if married, of the capital gains on the sale of your home. You must use it as your primary residence for 2 of the prior 5 years before the sale to qualify. To prevent taxpayers from turning rental property into a principal residence for two years and claiming the exclusion, Congress changed the rules beginning in 2009. Now, the increase in value of the property which occurred during rental use will not be eligible for the exclusion. Finally, a surviving spouse can get the full \$500,000 exclusion from profits on the sale of a home if the sale occurs within two years after the first spouse's passing as long as both taxpayers qualified before the death and as long as the spouse remains unmarried.

After you have collected all of your information, you may choose to mail it to us, drop off, or call for an appointment. We look forward to speaking with you regarding any tax questions you may have.