

2008 Income Tax Changes

There won't be a lot of new legislation since this is an election year. However, here are a few of the highlights of what will be changing.

Mileage Deduction: Increased to 50.5 cents per mile thru June and went up to 58.5 cents for July to December 2008

Hope College Credit: Increased to a maximum \$1,800 per year for the first two years of college tuition

IRA Contributions: Increased to maximum \$5000 contribution per year for both Traditional and Roth. Those over age 50 can still contribute an additional \$1000 per year.

Personal Exemptions: Increased to \$3,500 for each dependent, up from \$3,400 in 2007

Social Security Maximum: The maximum wages that you pay social security tax on for 2008 are \$102,000 up from \$97,500 in 2007. You will continue to pay Medicare tax up to the full wage amount

Capital Gains Rates: Prior to 2008, Long Term capital gains for those in the 10% or 15% brackets had a 5% tax on gains. In 2008, the rate drops to 0% for those in the 10% to 15% tax bracket. It remains at 15% for those in the higher tax brackets.

Health Savings Accounts

With the rising cost of health insurance and deductibles, the Health Savings Account (HSA) was created. Basically, the HSA is similar to a flexible spending account. You can deposit money specifically for health care expenses and withdraw when you need it. The difference is that you don't lose the money at the end of the year if you don't spend it all. Of course there are requirements that you must meet.

1. Anyone under 65 can open an HSA as long as they are covered by a high-deductible health insurance policy
2. The health insurance deductible must be at least \$1100 per single or \$2200 per family to qualify as a high deductible.
3. You can contribute up to \$2900 for single and \$5800 per family coverage per year. You do not need to contribute the maximum amount each year.



The HSA provides triple tax savings:

- Tax deductions when you contribute to the account
- Tax-free earnings through investment in the account (savings grows tax free in the account)
- Tax-free withdrawals for qualified medical expenses

You can set up the account through an employer if they offer it and have payroll withdrawal. Or you can set it up on your own at a bank or financial institution. It is portable and you keep the HSA even when you switch jobs. It is under your control as to how much you contribute and what medical expenses you will pay for and when. If you would like more information contact me and I will be glad to help.

Retirement Planning Checklist

With all the things you have to save for including a house, college, cars, vacations, etc, retirement can appear to be a long way off. But it will catch up to you in a heartbeat! That's why it is less painful to start early and put away a little at a time. Here is a short checklist just to get your thought process started.

1. **Know your Retirement Needs.** Retirement is more expensive than in the past because people are retiring earlier and living longer. Experts estimate that you may need as much as 80% of your pre-retirement income to live on. The average American spends 18 years in retirement.
2. **Find out about your Social Security Benefits.** You can receive a free statement of your estimated future benefits based on your past earnings.
3. **Contribute to your company Tax-Sheltered Plan.** This is a 401(K) or 403(B) type of plan. It provides you tax benefit now and accumulates at a compound rate over time. Your employer may even kick in matching contributions.
4. **Contribute to a Traditional or Roth IRA.** I can tell you which one would be better for you. Even if you don't have tax benefits now, your money is earning at a tax advantaged rate.
5. **Find out if your contributions will reach your goal in your time frame.** This is where a financial advisor or even an online calculator is necessary. They have formulas and strategies to determine how much you need to save monthly to reach your goals, factoring in for inflation. If you need any names of advisors, I know several good ones I can recommend.

As you Near Retirement

6. **Know the payout options for your retirement plans.** Know when and how much you must take in distributions.
7. **Consider your health insurance options.** Will it be Medicare or do you also need supplemental?
8. **Find out all your required minimum distributions (RMD) on your IRA's.** After we know how much you are taking out each year from your IRA and other pensions we can do your tax planning and determine if you need estimates or withholdings.
9. **Determine if you should purchase long-term health insurance and when.**
10. **Update all your financial and legal documents.** Make sure you have your will, power of attorney, and health care proxy's in order. Update the beneficiaries as needed. Determine if your assets are enough to warrant an estate plan.

Planning for retirement is a lifelong process. Start investing early and contribute as much as you can. In the end you will be happy you did.



Sue's News

It has been an exciting summer at the Hjort house. My oldest daughter Larissa is now down at college for her Freshman year at The University of San Diego. It is a wonderful private school in a beautiful city. She worked hard in high school to get there. My younger daughter Lizzy turned 15 this summer so we drove Larissa down to school and Lizzy helped with some of the driving. That was exciting on California freeways! This week Lizzy started her sophomore year at Tigard High School. She is still playing soccer in the recreation league, but is no longer in band. She is now in theater and choir and excited for the year ahead. My son Alex turned 20 over the summer and he is working for my brother Kevin in our real estate company and attending classes at PCC.

Kevin is no longer actively involved in the CPA business as he sold his shares to me this past Spring. However, he remains as a consultant. I know many of you are long time friends of Kevin, so I wanted to share some of his family news as well. His oldest son Michael is starting his sophomore year at Biola University in California. Michael and Robbie spent the summer working for Kevin in the real estate company and Portland Payroll. Michael is an accounting major so I am hoping he will come to work for me someday. A Junior at Southridge High, Robbie is again the manager for the football team there. Erin is starting her sophomore year at Southwest Bible. She will be playing volleyball this fall. Kevin's wife Joanne continues to be busy with activities at their church.



Enjoy the many Fall activities with your family and friends. Make sure to vote in November!



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Our Mission Statement

To use our talents and experience to achieve the following:

To keep our promises; to be honest with every client we have; to make the extra effort to find every tax deduction allowed by law for each client; to help small business owners have peace of mind in order that they can run their businesses free from the worry of tax and accounting obligations; to earn the trust of every client we have.

To always remember that we are here to serve our clients - not the other way around.

“Trust in the Lord with all your heart and lean not on your own understanding; in all you ways acknowledge him, and he will make your paths straight.”

Proverbs 3:5-6



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Fall has arrived! Although the weather is still warm, the seasons are changing. School has started and football is in full swing. Now is the time to start looking at your 2008 tax situation and take care of any things that need to be done before the end of the year. I gave you a few 2008 Tax Law Highlights in my last newsletter. I wanted to highlight a few other changes that may affect you for this tax year. In addition, I am always trying to help you think ahead and do tax planning. I am including a Retirement Planning Checklist. As you near retirement, or even for you younger tax payers, there are many tax strategies we can use to accumulate money and to save on taxes in retirement. It's never too soon. Finally, I want to give you a brief overview of Health Savings Accounts and the tax advantages. I see more of you involved in these policies, both the self-employed and the regular employees. As health insurance is a hot topic in the election, the HSA may become more important. Remember, I am in the office year round to assist and provide advice when your questions come up. I would rather we take care of tax issues now than have surprises in April.

Wishing many blessings to you all during this wonderful time of year.

Are you ready for retirement? Look for Sue's retirement checklist to



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