

2007 Quick Reference

§179 Expensing

For 2007, taxpayers may expense up to \$125,000 of qualifying property acquired for use in a trade or business. In 2007, the phase-out threshold begins at \$500,000 on purchases of qualifying property. These amounts increase to \$128,000 for 2008, with the phase out beginning at \$510,000.

Addresses – Where to File

For current addresses for filing, see www.natptax.com, Federal Tax Information, Tax News, Where to File 2007 Taxes Addresses.

Adoption

The maximum credit for 2007 is \$11,390 per adopted child. The credit will begin to phase out when modified adjusted gross income (MAGI) reaches \$170,820. The credit is \$11,650 for 2008. The credit begins to phase out when MAGI reaches \$174,730.

Alternative Minimum Tax

For 2007, the alternative minimum tax (AMT) exemption amounts are as follows:

Filing Status:	Exemption Amount:
Estates and trusts	\$22,500
Married filing jointly (MFJ) or qualifying widow(er)	45,000
Single or head of household	33,750
Married filing separately (MFS)	22,500
For children under age 18	6,300 plus child's earned income, not to exceed 33,750

Capital Gains

Capital gains rates are 5 percent and 15 percent for 2007, and at the rate of 0 percent and 15 percent, for 2008 through 2010.

Child and Dependent Care Credit

The minimum child and dependent care credit is 20 percent and the maximum is 35 percent based on AGI. The amount of eligible expenses is \$3,000 for one child and \$6,000 for two or more children.

Child Tax Credit

For 2004-2010, the maximum child tax credit is \$1,000 for each qualifying child. For 2007, the child tax credit is refundable to the extent of the greater of:

- 15 percent of earned income above \$11,750 (\$12,050 for 2008) or
- for taxpayers with three or more qualifying children, the excess of the taxpayer's social security taxes for the year over the earned income credit for the year.

Daycare Optional Meal and Snack Rates

2007

Type of Meal	Contiguous States	Alaska	Hawaii
Breakfast	\$1.06	\$1.69	\$1.24
Lunch and Supper	1.97	3.20	2.31
Snack	0.58	0.95	0.69

2008

Type of Meal	Contiguous States	Alaska	Hawaii
Breakfast	\$1.11	\$1.76	\$1.29
Lunch and Supper	2.06	3.34	2.41
Snack	0.61	0.99	0.72

Dividend Rates

Qualified dividends are taxed at 5 percent and 15 percent for 2007, and at the rates of 0 percent and 15 percent, for 2008 through 2010.

Earned Income Credit

For 2007, the maximum amount of income a taxpayer can earn and still be eligible for the earned income credit increased. If earned income or AGI exceeds the following amounts, the earned income credit is zero.

	MFJ	Other Than MFJ	Maximum Credit
Taxpayer with one child	\$35,241	\$33,241	\$2,853
Taxpayer with two or more children	39,783	37,783	4,716
Taxpayer with no children	14,590	12,590	428

The maximum amount of investment income a taxpayer may have and still be eligible for the credit has increased to \$2,900 for 2007.

Education Credits

Maximum Credits	2007	2008
Lifetime Learning Credit	\$2,000	\$2,000
Hope Credit	1,650	1,800

For 2007, both credits are phased out when married filing joint taxpayers' MAGI is between \$94,000 and \$114,000 (\$96,000 and \$116,000 for 2008). For all others, the phase-out is between \$47,000 and \$57,000 (\$48,000 and \$58,000 for 2008). The credit is not allowed if the taxpayer is married filing separately.

Elective Deferrals

The maximum amount of elective deferrals under a salary reduction agreement that could be contributed to a qualified plan remains \$15,500 for 2007 and 2008 (\$20,500 if the taxpayer is age 50 or over).

For SIMPLE plans, the elective deferral remains \$10,500 for 2007 and 2008 (\$13,000 if the taxpayer is age 50 or over).

Exemption Amount

The personal exemption amount increased to \$3,400 for 2007 and \$3,500 for 2008. Taxpayers may lose all or a part of their exemption if their AGI is above a certain amount. The phase-out AGI is:

	2007	2008
MFJ/qualifying widow(er)	\$234,600 – 357,100	\$239,950 – 362,450
Head of household	195,500 – 318,000	199,950 – 322,450
Single	156,400 – 278,900	159,950 – 282,450
MFS	117,300 – 178,550	119,975 – 181,225

Under the *Economic Growth and Tax Relief Reconciliation Act* of 2001, the exemption amount in 2007 for taxpayers with an AGI in excess of the maximum phase-out is \$1,133 ($\$3,400 \times 1/3$) and for 2008 it is \$2,333 ($\$3,500 \times 2/3$).

Foreign Earned Income Exclusion

For 2007, a qualified individual may exclude up to \$85,700 of qualified foreign earned income using Form 2555, *Foreign Earned Income*. For 2008, the indexed amount will be \$87,600.

Health Savings Accounts (HSAs)

Like IRAs, funds saved in HSAs are 100-percent tax deferred until there is a qualified distribution. Taxpayers may contribute the lesser of the annual deductible for medical insurance coverage, or up to \$2,850 for singles, or \$5,650 for families for 2007. For 2008 it is \$2,900 for singles, or \$5,800 for families. There is an additional catch-up provision of \$800 for taxpayers age 55 or older in 2007. This catch-up provision gradually increases in subsequent tax years to \$900 in 2008 and \$1,000 in 2009, and thereafter.

IRA – Contribution Limit to Traditional and Roth IRAs

Age	2007 Limit	2008 Limit
Under 50	Smaller of \$4,000 or earned income	Smaller of \$5,000 or earned income
50 and over	Smaller of \$5,000 or earned income	Smaller of \$6,000 or earned income

IRA – Deduction Phase-out for Traditional IRAs for 2007

MAGI Phase-out for Traditional IRA Deductions			
Taxpayer Covered by an Employer Plan		Spouse of Covered Employee	
S, HH	\$52,000 - 62,000	MFJ	\$156,000 - 166,000
MFJ, QW	83,000 - 103,000	MFS	0 - 10,000
MFS*	0 - 10,000		

*If filing MFS and did not live with spouse at any time during the year, the taxpayer is considered single for IRA deduction purposes.

IRA – Deduction Phase-out for Traditional IRAs for 2008

MAGI Phase-out for Traditional IRA Deductions			
Taxpayer Covered by an Employer Plan		Spouse of Covered Employee	
S, HH	\$53,000 - 63,000	MFJ	\$159,000 - 169,000
MFJ, QW	85,000 - 105,000	MFS	0 - 10,000
MFS*	0 - 10,000		

*If filing MFS and did not live with spouse at any time during the year, the taxpayer is considered single for IRA deduction purposes.

IRA-MAGI Phase-out for Roth IRA Contributions for 2007

Filing Status	Phase-out Begins When MAGI Exceeds	Phased-out When MAGI Reaches
MFJ	\$156,000	\$166,000
MFS (lived with spouse)	0	10,000
S, HH, QW, or MFS if did not live with spouse at any time during the year.	99,000	114,000

IRA-MAGI Phase-out for Roth IRA Contributions for 2008

Filing Status	Phase-out Begins When MAGI Exceeds	Phased-out When MAGI Reaches
MFJ	\$159,000	\$169,000
MFS (lived with spouse)	0	10,000
S, HH, QW, or MFS if did not live with spouse at any time during the year.	101,000	116,000

Kiddie Tax

For 2007, the tax on the net unearned income of a child under the age of 18 is computed at the parents' highest marginal tax rate if the child's net unearned income is greater than \$1,700. In 2008, the kiddie tax will also apply to children age 18, or full-time students under age 24, unless the child's earned income exceeds half of his or her support or the child files a joint return.

Long-term Care Premiums Paid During 2007

In the case of an individual with an attained age before the close of the tax year of:	The annual limitation on deductible premiums is:
40 or less	\$ 290
More than 40 but not more than 50	550
More than 50 but not more than 60	1,110
More than 60 but not more than 70	2,950
More than 70	3,680

Long-term Care Premiums Paid During 2008

In the case of an individual with an attained age before the close of the tax year of:	The annual limitation on deductible premiums is:
40 or less	\$ 310
More than 40 but not more than 50	580
More than 50 but not more than 60	1,150
More than 60 but not more than 70	3,080
More than 70	3,850

Meal Expenses When Subject to "Hours of Service" Limits

Generally, a taxpayer may only deduct 50 percent of business related meal expenses for traveling away from his or her tax home. A taxpayer may deduct a higher percentage if the meals take place during or incident to any period subject to the Department of Transportation's "Hours-of-Service" limits.

Tax Year Beginning in	Deductible Percentage
2007	75%
2008 and thereafter	80%

(Archer) Medical Savings Accounts (MSAs)

The allowable plan limits for 2007 are as follows:

Health Plan	Annual Deductible	Out-of-Pocket	Annual Maximum Deduction
Self-only	\$1,900 - 2,850	\$3,750	65% of deductible
Family	3,750 - 5,650	6,900	75% of deductible

Nanny Tax

For 2007, FICA for domestic service in an employer's home is not required unless the cash wages paid are \$1,500 or more and \$1,600 for 2008.

Per Diem Allowance for Transportation Industry

October 1, 2006 Through September 30, 2007	M&IE
Travel inside the United States	\$52
Travel outside the United States	58

October 1, 2007 Through September 30, 2008	M&IE
Travel inside the United States	\$52
Travel outside the United States	58

Residential Energy Credits (Form 5695)

In 2007, taxpayers may be eligible to claim a credit for making their principal residence more energy efficient. The **Nonbusiness Energy Property Credit** is equal to the sum of the following:

- 10 percent of the cost of “qualified energy efficient improvements” installed during the year, and
- The amount of “residential energy property expenditures” paid or incurred during the year.

The maximum credit allowed for all tax years is \$500 (lifetime limitation). Of this amount, no more than:

- \$200 may be for exterior windows.
- \$50 may be for any advanced main air circulating fan.
- \$150 may be for any qualified natural gas, propane, or oil furnace or hot water heater.
- \$300 may be for any energy-efficient building property.

In 2007, taxpayers may claim a credit for solar property. The **Residential Energy Efficient Property Credit** is the sum of all of the following:

- 30 percent of the cost of photovoltaic property up to \$6,667 of expenditures for a maximum credit of \$2,000 per year.
- 30 percent of cost of solar water heating property up to \$6,667 of expenditures for a maximum credit of \$2,000 per year.
- 30 percent of the cost of fuel cell property up to \$1,667 of expenditure for a maximum credit of \$500 for each half kilowatt of capacity.

2007 Tax Rates

	10%	15%	25%	28%	33%	35%
S	\$0	\$7,826	\$31,851	\$77,101	\$160,851	\$349,701
MFJ/QW	0	15,651	63,701	128,501	195,851	349,701
MFS	0	7,826	31,851	64,251	97,926	174,851
HH	0	11,201	42,651	110,101	178,351	349,701

2008 Tax Rates

	10%	15%	25%	28%	33%	35%
S	\$0	\$8,026	\$32,551	\$78,851	\$164,551	\$357,701
MFJ/QW	0	16,051	65,101	131,451	200,301	357,701
MFS	0	8,026	32,551	65,726	100,151	178,851
HH	0	11,451	43,651	112,651	182,401	357,701

Social Security

For 2007, the maximum wages subject to social security tax increased to \$97,500 (\$102,000 for 2008).

Standard Deduction

The basic standard deduction has increased as follows:

	2007	2008
MFJ/qualifying widow(er)	\$10,700	\$10,900
Head of household	7,850	8,000
Single	5,350	5,450
MFS	5,350	5,450

For 2007, the standard deduction for dependents who only have unearned income remained \$850 (for 2008 it increases to \$900). If the dependent has both earned and unearned income, the standard deduction is the greater of:

- \$850 (for 2008 it increases to \$900) or
- The dependent’s earned income plus \$300 (the same for 2008), but not more than the basic standard deduction for his or her filing status.

For 2007, additional deductions for the aged or blind is \$1,050 for married or surviving spouse and \$1,300 for single or head of household taxpayers. For 2008, additional deductions for the aged or blind is \$1,050 for married or surviving spouse and \$1,350 for single or head of household taxpayers.

Standard Mileage Rates

The allowable deductions for the standard mileage rate have changed as follows:

	2007	2008
Business Miles	\$0.485	\$0.505
Charity	0.14	0.14
Medical Reasons	0.20	0.19
Moving	0.20	0.19