

What's New for 2008

This section summarizes important tax changes that took effect in 2008. Most of these changes are discussed in more detail throughout this publication.

Changes are also discussed in Publication 553, Highlights of 2008 Tax Changes, and at www.irs.gov, click on More Forms and Publications, and then on What's Hot in forms and publications.

Economic stimulus payment. Any economic stimulus payment you received is not taxable but reduces your recovery rebate credit.

Recovery rebate credit. If you did not receive the full economic stimulus payment, you may be able to claim the recovery rebate credit. See [chapter 37](#).

Withdrawal of economic stimulus payment from certain accounts. If your economic stimulus payment was directly deposited to a tax-favored account and you withdraw the payment by the due date (including extensions) of your 2008 tax return, the amount withdrawn will not be taxed and no additional tax or penalty will apply.

First-time homebuyer credit. If you bought your main home after April 8, 2008, and are a first-time homebuyer, you may be able to claim this credit. See [chapter 37](#).

Additional standard deduction for real estate taxes. If you do not itemize your deductions, you can claim an additional standard deduction for real estate taxes you paid. See [chapter 20](#).

Additional standard deduction for net disaster loss. If you do not itemize your deductions, you can claim an additional standard deduction for any net disaster loss from a federally declared disaster. See [chapter 20](#).

Combat pay election. The election to include nontaxable combat pay in earned income for figuring the earned income credit has been made permanent.

Standard mileage rates. For 2008, the standard mileage rate for the cost of operating your car for business use is 58.5 cents per mile (58.5 cents per mile after June 30, 2008). See [chapter 26](#).

For 2008, the standard mileage rate for the cost of operating your

car for medical reasons is 19 cents per mile (27 cents per mile after June 30, 2008). See [chapter 21](#).

For 2008, the standard mileage rate for the cost of operating your car for determining moving expenses is 19 cents per mile (27 cents per mile after June 30, 2008). See Publication 521, Moving Expenses.

Alternative minimum tax (AMT) exemption amount increased. The AMT exemption amount is increased to \$46,200 (\$69,950 if married filing jointly or a qualifying widow(er)); \$34,975 if married filing separately).

Retirement savings plans. The following paragraphs highlight changes that affect individual retirement arrangements (IRAs) and pension plans.

IRA deduction increased. You and your spouse, if filing jointly, each may be able to deduct an IRA contribution of up to \$5,000 (\$6,000 if age 50 or older at the end of 2008).

Traditional IRA income limits. You may be able to take an IRA deduction if you were covered by a retirement plan and your modified adjusted gross income is less than \$63,000 (\$105,000, if you are married filing jointly or a qualifying widow(er)). See [chapter 17](#).

Roth IRA income limit. You may be able to make a Roth IRA contribution if your modified adjusted gross income is less than \$116,000 (\$169,000, if you are married filing jointly or a qualifying widow(er)).

Rollovers to Roth IRAs. You can roll over distributions from a qualified retirement plan into a Roth IRA. The rollover is not tax-free. See Publication 590, Individual Retirement Arrangements (IRAs).

Retirement savings contributions credit. The adjusted gross income limit for claiming this credit is increased to \$26,500 (\$39,750 if head of household; \$53,000 if married filing jointly). See [chapter 37](#).

Child's investment income. You must use Form 8615, Tax on Certain Children Who Have Investment Income of More Than \$1,800, to figure the tax on a child that:

1. Was under age 18 at the end of 2008,
2. Was age 18 at the end of 2008 and did not have earned

income that was more than half of the child's support, or

3. Was over age 18 and under age 24 at the end of 2008 and was a full-time student and did not have earned income that was more than half of the child's support.

See [chapter 31](#).

The election to report a child's investment income on a parent's return (see [chapter 31](#)) and the special rule for when a child must file Form 6251, Alternative Minimum Tax—Individuals, also now apply to the children listed above.

Capital gain tax rate reduced. The 5% capital gain tax rate is reduced to zero.

Tax relief for Kansas disaster area. Temporary tax relief was enacted as a result of the May 4, 2007, storms and tornadoes affecting the Kansas disaster area. See Publication 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes, for more details.

Tax relief for Midwestern disaster areas. Temporary tax relief was enacted as a result of the severe storms, tornadoes, and flooding affecting the Midwestern disaster areas. See Publication 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas, for more details.

Certain amounts increased. Some tax items that are indexed for inflation increased for 2008.

Earned income credit (EIC). The maximum amount of income you can earn and still get EIC increased. The amount depends on your filing status and number of children. The maximum amount of investment income you can have and still be eligible for the credit increased to \$2,950. See [chapter 36](#).

Standard deduction. The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The amount depends on your filing status. See [chapter 20](#).

Exemption amount. You are allowed a \$3,500 deduction for each exemption to which you are entitled. However, your exemption amount could be phased out if you have high income. See [chapter 3](#).

Limit on itemized deductions. Some of your itemized deductions may be limited if your adjusted

gross income is more than \$159,950 (\$79,975 if you are married filing separately). See [chapter 29](#).

Tax benefits for adoption. The adoption credit and the maximum exclusion from income of benefits under an employer's adoption assistance program are increased to \$11,650. See [Adoption Credit](#) in [chapter 37](#).

Hope or lifetime learning credit income limits increased. The amount of income you can have and still receive a Hope or lifetime learning credit has increased. See [chapter 35](#).

Social security and Medicare taxes. The maximum wages subject to social security tax (6.2%) increased to \$102,000. All wages are subject to Medicare tax (1.45%).

Extended tax provisions. The following tax provisions that were scheduled to expire at the end of 2007 have been extended.

- The deduction for educator expenses in figuring adjusted gross income.
- The deduction for qualified tuition and fees.
- The exclusion from income of qualified charitable distributions.
- The District of Columbia first-time homebuyer credit.
- The itemized deduction for state and local general sales taxes.

Credit for nonbusiness energy property. The credit for nonbusiness energy property has expired and does not apply for 2008.

Mailing your return. If you are filing a paper return, you may be mailing your return to a different address because the IRS has changed the filing location for several areas. If you received an envelope with your tax package, please use it. Otherwise, see [Where To File](#) near the end of this publication for a list of IRS addresses.

What's New for 2009

This section summarizes the important changes that take effect in 2009 that could affect your estimated tax payments for 2009. More information on these and other changes can be found in Publication 553.

IRA income limits. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2009 modified adjusted gross income is less than \$65,000 (\$109,000 if you are married filing jointly or a qualifying widow(er)).

Credit for plug-in electric drive motor vehicle. You may be able to take a credit if you place a

plug-in electric drive motor vehicle in service in 2009.

Credit for nonbusiness energy property. You may be able to take this credit for qualifying energy savings items for your home placed in service in 2009.

Alternative minimum tax (AMT) exemption amount decreased. The AMT exemption amount will decrease to \$33,750 (\$45,000 if married filing jointly or a qualifying widow(er); \$22,500 if married filing separately).

Qualifying child definition revised. The following changes to

the definition of a qualifying child apply to years after 2008.

- Your qualifying child must be younger than you.
- A child cannot be your qualifying child if he or she files a joint return, unless the return was filed only as a claim for refund.
- If the parents of a child can claim the child as a qualifying child but no parent so claims the child, no one else can claim the child as a qualifying child unless that person's adjusted gross income (AGI) is higher than the highest AGI of any parent of the child.

- Your child is a qualifying child for purposes of the child tax credit only if you can and do claim an exemption for him or her.

Personal casualty and theft loss limit. Generally, a personal casualty or theft loss must exceed \$500 to be allowed for 2009. This is in addition to the 10% of AGI limit that generally applies to the net loss.

Reminders

Listed below are important reminders and other items that may help you file your 2008 tax return. Many of these items are explained in more detail later in this publication.

Write in your social security number. To protect your privacy, social security numbers (SSNs) are not printed on the peel-off label that comes in the mail with your tax instruction booklet. This means you must enter your SSN in the space provided on your tax form. If you filed a joint return for 2007 and are filing a joint return for 2008 with the same spouse, enter your names and SSNs in the same order as on your 2007 return. See [chapter 1](#).

Secure your tax records from identity theft. Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a

lost or stolen purse or wallet, questionable credit card activity or credit report, etc., contact the IRS Identity Theft Hotline at 1-800-908-4490.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common form is the act of sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request detailed personal information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward the message to: phishing@irs.gov. You may also report misuse of the IRS name, logo, forms or other IRS property to the Treasury Inspector General for Tax Administration toll-free at

1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit the IRS website at www.irs.gov to learn more about identity theft and how to reduce your risk.

Taxpayer identification numbers. You must provide the taxpayer identification number for each person for whom you claim certain tax benefits. This applies even if the person was born in 2008. Generally, this number is the person's social security number (SSN). See [chapter 1](#).

Individual retirement arrangements (IRAs). The following paragraphs highlight information that affects IRAs.

Combat pay. For purposes of taking an IRA deduction, earned income includes any nontaxable combat pay received by a member of the U.S. Armed Forces.

Catch-up contributions in certain employer bankruptcies. You may be able to deduct up to an additional \$3,000 contributed to your IRA if you were a participant in a 401(k) plan and your employer was in bankruptcy in an earlier year. See Publication 590, Individual Retirement Arrangements (IRAs).

Qualified charitable distributions. If you have reached age 70½, you can make a qualified charitable distribution directly from your IRA to a qualified organization. You do not include the distribution in your income. See

Publication 590, Individual Retirement Arrangements (IRAs), for more information.

Mortgage insurance premiums. You may be able to treat mortgage insurance premiums paid in connection with home acquisition debt as home mortgage interest. See [chapter 23](#).

Qualified joint venture. A qualified joint venture conducted by you and your spouse may not be treated as a partnership if you file a joint return for the tax year. See [chapter 12](#).

New recordkeeping requirements for cash contributions. You cannot deduct a cash contribution, regardless of the amount, unless you keep as a record of the contribution a bank record (such as a canceled check, a blank copy of a canceled check, or a bank statement containing the name of the charity, the date, and amount) or a written communication from the charity. The written communication must include the name of the charity, date of the contribution, and amount of the contribution. See [chapter 24](#).

Foreign source income. If you are a U.S. citizen with income from sources outside the United States (foreign income), you must report all such income on your tax return unless it is exempt by U.S. law. This is true whether you reside inside or outside the United States and whether or not you receive a Form W-2 or 1099 from the foreign payer. This applies to earned income (such as wages and tips) as well as unearned income (such as

interest, dividends, capital gains, pensions, rents and royalties).

If you reside outside the United States, you may be able to exclude part or all of your foreign source earned income. For details, see Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.

Automatic six month extension to file tax return. You can use Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, to obtain an automatic 6-month extension of time to file your tax return. See [chapter 1](#).

Advance earned income credit. If a qualifying child lives with you and you expect to qualify for the earned income credit in 2009, you may be able to get part of the credit paid to you in advance throughout the year (by your employer) instead of waiting until you file your tax return. See [chapter 36](#).

Tax Computation Worksheet. If your taxable income is \$100,000 or more, figure your tax using the Tax Computation Worksheet. The Tax Computation Worksheet is found near the end of this publication immediately following the Tax Tables.

Joint return responsibility. Generally, both spouses are responsible for the tax and any interest or penalties on a joint tax return. In some cases, one spouse may be relieved of that responsibility for items of the other spouse that were incorrectly reported on the joint return. See [chapter 2](#).

Include your phone number on your return. To promptly resolve any questions we have in processing your tax return, we would like to be able to call you. Please enter your daytime telephone number on your tax form next to your signature.

Third party designee. You can check the "Yes" box in the "Third Party Designee" area of your return to authorize the IRS to discuss your return with a friend, family member, or any other person you choose. This allows the IRS to call the person you identified as your designee to answer any questions that may arise during the processing of your return. It also allows your designee to perform certain actions. See [chapter 1](#).

Payment of taxes. Make your check or money order payable to "United States Treasury." You can pay your taxes by credit card, using the Electronic Federal Tax Payment System (EFTPS), or, if you file electronically, by electronic funds withdrawal. See [chapter 1](#).

Faster ways to file your return. The IRS offers fast, accurate ways to file your tax return information without filing a paper tax return. You can use IRS *e-file* (electronic filing). See [chapter 1](#).

Free electronic filing. You may be able to file your 2008 taxes online for free thanks to an electronic filing agreement. See [chapter 1](#).

Change of address. If you change your address, you should

notify the IRS. See [Change of Address](#), under [What Happens After I File](#), in chapter 1.

Private delivery services. You may be able to use a designated private delivery service to mail your tax returns and payments. See [chapter 1](#).

Refund on a late filed return. If you were due a refund but you did not file a return, you generally must file your return within 3 years from the date the return was due (including extensions) to get that refund. See [chapter 1](#).

Split refunds. If you choose direct deposit of your refund, you may be able to split the refund into two or three accounts. See [chapter 1](#).

Frivolous tax submissions. The IRS has published a list of positions that are identified as frivolous. The penalty for filing a frivolous tax return is \$5,000. Also, the \$5,000 penalty will apply to other specified frivolous submissions. See [chapter 1](#).

Filing erroneous claim for refund or credit. You may have to pay a penalty if you file an erroneous claim for refund or credit. See [chapter 1](#).

Privacy Act and paperwork reduction information. The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and the Paperwork Reduction Act of 1980 require that when we ask you for information we must first tell you what our legal right is to ask for the information, why we are asking for

it, how it will be used, what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory under the law. A complete statement on this subject can be found in your tax form instruction booklet.

Customer service for taxpayers. The Internal Revenue Service has expanded customer service for taxpayers. You can set up a personal appointment at the most convenient Taxpayer Assistance Center, or the most convenient business day. See [How To Get Tax Help](#) in the back of this publication.

Treasury Inspector General for Tax Administration. If you want to confidentially report misconduct, waste, fraud, or abuse by an IRS employee, you can call 1-800-366-4484 (1-800-877-8339 for TTY/TDD users). You can remain anonymous.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1 - 8 0 0 - T H E - L O S T (1-800-843-5678) if you recognize a child.