

October 1, 2008

Issue 2008-22

ExacNews

Exactax Client:

Exactax remains well staffed to handle all of your processing needs. However, volume normally increases at this time of the year so it is important to get your returns in as soon as possible to ensure a timely turnaround.

Regular Office Hours

Exactax is open from 8:30 to 5:00, Pacific Time, Monday through Friday.

Extended Coverage

All departments will be open on Saturday, October 11th from 9:00 AM to 3:00 PM, Pacific Time.

Note: UPS does not pick up packages from Exactax on Saturday. Drop-off and hold for pick-up will be available at our Anaheim office.

Main Fax Number Change

Our main fax number has been changed to **(714) 999-6566**. The Customer Support fax remains the same at (714) 254-7210.

Electronic Filing

A list has been sent to each account showing any qualified e-file returns that have processed but have not yet been authorized for transmission. All requests for electronic filing must be received by Exactax no later than Tuesday, October 14th. Returns that are e-filed timely but are subsequently rejected will have until Monday, October 20th to make corrections and re-transmit.

Remember: For each e-file return, you must receive an acknowledgment from each taxing agency, or that return will not be considered as having been filed with that agency.

Holiday Cards and End of Year Newsletters

Order forms for personalized holiday card/calendars and the end of year tax newsletters began mailing this week. The deadline for ordering is **October 22, 2008**.

Tax Organizers

The Tax Organizer Order Forms will be mailed out at the end of October. All 1040 clients processed by October 24th will be listed. You may add and delete Organizer

orders from the list. If the list is not returned by the deadline, ExacTax will print Tax Organizers based on the pre-orders as shown on the list. Late requests for Tax Organizers will be processed in the third week of December.

→ Tax Organizers are only processed for accounts that have renewed for 2008. Be sure that you renew for 2008 before you send in your order.

Client Labels

A set of client labels will be mailed in late November, at no charge, to accounts renewed by November 17th. The set will contain two labels for each 1040 client processed by November 17th, 2008. Late renewals will receive labels in January. Additional chargeable sets may be ordered at any time.

1040 Rebate Special Expires on October 15th

To qualify for the special 2007 Rebate, 1040 returns must be filed by October 15th. Taxpayers filing after that date will need to wait until they file a 2008 return to claim the refundable credit. Therefore, ExacTax will return all 1040-Stimulus Payment [ISP] input forms submitted after October 15th.

Renewals

All 2008 renewal forms were mailed out several weeks ago. If you have not received your renewal form please contact Customer Support at (800) 254-2244.

Shipping Options and Rates

As the deadline approaches you may want to consider other shipping methods for the fastest delivery possible. Below is a recap of the options available besides the standard UPS method. Selecting UPS enhanced shipping or other options will incur the following per-return charges:

PI Code	Shipping Method	Per Return Charge
1	Hold for Pick-up	No Charge
3	UPS Next Day – 10:30 AM Guarantee	\$27.50
4	UPS 2nd Day	\$12.40
6	Regular US Mail	\$5.50
7	Call When Ready	\$3.00
8	UPS Next Day – 3:00 PM Guarantee	\$18.95
33	UPS Next Day-Saturday Delivery	\$37.50
Zip 11	Confidential Handling	\$3.00
Zip 22	Special Shipping Address	\$4.00
Zip 26	Special Handling Instruction	\$4.00

Undeliverable Packages

The additional charge for an undeliverable UPS package (to any address) is \$5.00.

Hold for Pick-Up

There is no additional charge for returns marked as “Hold for pick-up” at Exactax. However, returns that are not initially marked as “Hold for pick-up” on Form PI and are subsequently picked-up will still be billed the shipping charge, if any, assigned to that return.

Billing Queries and Reminders

When requesting adjustments to your billing, state the problem in the comment section of your remittance and include it with your payment. Any problems or questions regarding billing queries may also be faxed directly to the Accounting Department at (714) 999-6566. Requests for credit must be made in writing.

IMPORTANT: *Accounts with an outstanding balance over 21 days will be placed on C.O.D. status. C.O.D. accounts will be shipped UPS C.O.D. until the account is current. → C.O.D. status will delay shipment of proforma and organizers!*

Did You Know...One Time Property Tax Deduction Coming for Non-Itemizers

Currently, only individuals who itemize deductions may deduct real property taxes imposed by state and local governments. The **Housing and Economic Recovery Act of 2008** gives non-itemizers a limited deduction for state and local real property taxes by increasing the amount of their standard deduction by the lesser of:

- (1) The amount of real property taxes paid during the year, or
- (2) \$500 (\$1,000 for a married couple filing jointly).

This temporary deduction is available only for 2008 returns.

Impact. *Taxpayers most likely to benefit from this deduction include homeowners who have paid off their mortgage (and, therefore, no longer itemize interest payments) and lower-income homeowners (whose overall itemized deductions generally do not exceed their standard deduction). The new deduction is in addition to the standard deduction. It is not an above-the-line deduction that reduces AGI.*

Note. *If claiming the maximum additional deduction for 2008, the \$10,900 standard deduction for joint filers and surviving spouses would increase to a maximum of \$11,900, while the \$5,450 standard deduction for single individuals increases to a maximum \$5,950 and the head-of-household amount from \$8,000 to \$8,500.*

Planning. *Taxpayers that will benefit from the additional deduction will want to pay at least the deductible portion of their property taxes by December 31st.*

Reduced Home Sale Exclusion

Gain from the sale of a principal residence home will no longer be excluded from gross income under Code Sec. 121 for periods that the home was not used as the principal residence (“non-qualifying use”). This new income inclusion rule applies to home sales **after December 31, 2008**, and, under a generous transition rule, is based only on nonqualified use periods that begin on or after January 1, 2009. In further relief from this new loophole closer, a period of absence generally counts as qualifying use if it occurs after the home was used as the principal residence.

Impact. *The rule prevents use of Code Sec. 121’s exclusion of gain from the sale of a principal residence of up to \$250,000 (\$500,000 for joint filers) for appreciation attributable to periods after 2008 during which a residence was used as a vacation home or as rental property before its use as the principal residence.*

Note. *Rather than require a valuation of the property on January 1, 2009, or at the time use is converted into a principal residence, however, the new law determines excluded appreciation on a pro-rata basis.*

The amount of gain allocated to periods of nonqualified use is the amount of gain multiplied by a fraction, the numerator of which is the aggregate period of nonqualified use during which the property was owned by the taxpayer and the denominator of which is the period the taxpayer owned the property. “Nonqualified use” for this computation does not include any use prior to 2009.

Example. *Adam buys property on January 1, 2009, for \$400,000 and rents it for two years, claiming \$20,000 of depreciation.*

On January 1, 2011, Adam begins to use the property as his home.

Adam moves out of the house on January 1, 2013, and sells it for \$700,000 on January 1, 2014.

The period 2009-2010 is non-qualifying use.

The year 2013, after Adam moved out, is treated as qualifying use.

Of the \$300,000 gain, 40 percent (two years out of five years owned), or \$120,000 is not eligible for the exclusion. The balance of the gain, \$180,000, may be excluded.

The \$20,000 gain attributable to depreciation is recaptured, as required under current law.