Lundy Shacter, P.A.
Certified Public Accountants

YEAR-END TAX LETTER
DECEMBER 31, 2008

NEW FOR 2008 TAX YEAR:

Exclusion of Gain from Sale of Principal Residence:

Although there is a hefty exclusion ($250,000, or $500,000 for joint filers), a partial exclusion of gain may have to be calculated for principal residences that had periods of nonqualified use (such as rental property or a second home). There are exceptions for military service, health problems, change of employment, or other unforeseen circumstances.

Interest Free Loan for First Time Homeowners:

First time homebuyers who purchased their homes between April 8, 2008 and July 1, 2009 are eligible for a refundable credit of 10% of the home's purchase price up to $7,500 (if married filing separately, the maximum credit is $3,750). Homes purchased in 2009 may be claimed on the 2008 tax return.

The credit does phase out for taxpayers with modified adjusted gross income between $75,000 and $95,000 ($150,000 and $170,000 for joint filers).

The credit is to be recaptured (paid back) over 15 years, in equal payments with the tax return starting in the second tax year following the year in which the principal residence was purchased. (Example: Principal residence purchased in 2008, credit claimed on 2008 tax return, first recapture will begin with the 2010 tax return.) If the principal residence is sold before the 15 years, then the remaining balance is to be paid in that year.

Some exceptions may apply.

Real Estate Taxes with Standard Deduction:

For 2008 and 2009, taxpayers who use the standard deduction, and pay real estate taxes may deduct up to $500 ($1,000 if filing jointly) of their taxes as an addition to the standard deduction.

Minimum Wage Increase in 2009:

Effective 01/01/09	$7.21
Effective 07/24/09	$7.25

For tipped employees, the minimum cash wage per hour is:

Effective 01/01/09	$4.19
Effective 07/24/09	$4.23

Recovery Rebate:

If you did not receive an economic stimulus check during 2008, or the amount may have been reduced due to your adjusted gross income, you may qualify based on your 2008 tax returns adjusted gross income.

The credit is $600 ($1,200 if married filing jointly), with a potential for $300 for each qualifying child.

The credit starts to be reduced if your 2008 adjusted gross income is more than $75,000. The credit cannot cause your tax liability to go below zero.

Depreciation in 2008:

Tangible personal property purchased for use in business during 2008 is eligible for first year 50% bonus depreciation.

The auto depreciation limits have been increased starting for autos purchased in 2008. Autos are eligible for the bonus depreciation, with a maximum deduction of $10,960 for autos and $11,160 for trucks and vans.

TAX YEAR 2008 – FEDERAL INCOME TAX RETURNS INFORMATION

Minimum Income Requirements for Return Filing

You MUST file a tax return if your gross income was at least the following:

Age 18 through 65

Single: (see below for children under age 18)	$ 8,950
Married Filing Separately:	$ 3,500
Married Filing Jointly:	$17,900
Head of Household:	$11,500
Qualifying Widow(er)	$14,400

Age 65 or Older

Single:	$10,300
Married Filing Separately:	$ 3,500
Married Filing Jointly (one spouse):	$18,950
Married Filing Jointly (both):	$20,000
Head of Household:	$12,850
Qualifying Widow(er)	$15,450

Dependents Under the age of 65

Dependents under the age of 65 must file a tax return if they have unearned income (i.e.: interest, dividends, capital gains) over $900 or earned income over $5,450. A child under the age of 18, or a full time student age 19-23, who has investment income greater than $1,800, will be taxed at the parent's tax rate.

Earned Income Credit:

A credit may be available to those whose adjusted gross income is less than a specified amount:

For 2008, the maximum credit you can receive is:

- $2,917 if you have one qualifying child, with an adjusted gross income of $33,995 or less; $36,995 if married filing joint.
- $4,824 if you have more than one qualifying child, with an adjusted gross income of $38,646 or less; $41,646 if married filing joint.
- $438 if you do not have a qualifying child, with an adjusted gross income of $12,880 or less; $15,880 if married filing joint.

Capital Gains and Qualified Dividends:

The maximum tax rate for most net long term capital gains and qualified dividends remains at 15%. Effective in 2008, if you fall under the 10% or 15% tax bracket, the net long term capital gain rate has been reduced to 0%.

Social Security and Medicare Withholding:

The wage base for social security (old age, survivors, and disability insurance) has been raised from $102,000 in 2008 to $106,800 in 2009. The wage base for Medicare (hospital insurance) remains unlimited. The social security tax rate is 6.2% each for employer and employee. The Medicare tax rate is 1.45% each for employer and employee.

Personal Exemption:

The 2008 personal exemption amount has increased to $3,500. It is phased-out beginning at an adjusted gross income of $159,950 for single taxpayers; $199,950 for heads of households; $239,950 for married persons filing jointly; and $119,975 for married persons filing separately.

Standard Deduction

Standard deduction rates for 2008 are as follows:

Single	$ 5,450
Married filing separately	$ 5,450
Married filing jointly	$10,900
Qualifying widow(er)	$10,900
Head of household	$ 8,000

(Note that standard deduction for blind persons and for individuals who are ages 65 and older are proportionately higher.)

Standard Mileage Rate:

Beginning on January 1, 2008, the new federal mileage rates were:

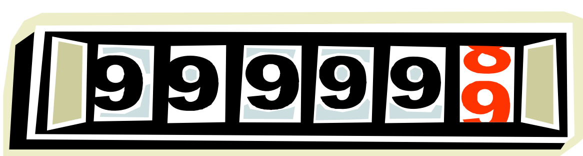
- Business miles	50.5 cents/mile
- Medical reasons	19 cents/mile
- Moving	19 cents/mile
- Charitable services	14 cents/mile

Beginning on July 1, 2008, the new federal mileage rates were:

- Business miles	58.5 cents/mile
- Medical reasons	27 cents/mile
- Moving	27 cents/mile
- Charitable services	14 cents/mile

Beginning on January 1, 2009, the rates are:

- Business miles	55 cents/mile
- Medical reasons	24 cents/mile
- Moving	24 cents/mile
- Charitable services	14 cents/mile



Alternative Motor Vehicle Credit:

The Alternative Motor Vehicle Credit is still available on the purchase of qualified hybrids, lean burn technology, alternative fuel, and fuel cell vehicles. The credit is based on the make and model of the vehicle that is most fuel-efficient.

Tax-Exempt Interest

State and local governments are required to report interest paid on tax-exempt state and local bonds on Form 1099-INT. These amounts will need to be reported on your tax return for informational purposes only.

Retirement Savings Plans:

Limit on elective deferrals – In 2009, the maximum amount of elective deferrals under a salary reduction agreement that can be contributed to a qualified plan increases to $16,500 ($22,000 if you are age 50 or over). However, for a SIMPLE plan, the amount increases to $11,500 ($14,000 if you are age 50 or over.)

IRA deduction expanded – In 2009, the amount you, and your spouse if filing jointly, may be able to deduct as an IRA contribution remains at $5,000 ($6,000 if age 50 or older at the end of 2009.)

These deductions may be limited, depending on your income and whether you are a participant in another type of retirement plan.

*And speaking of IRA's and pensions, one of our partners, Scott Shulman, is registered to sell investments through his affiliation as a Registered representative with Genworth Financial Securities Corp. *** and is qualified to help you set up an IRA or other retirement plan.*

Gambling Winnings & Losses:

With the popularity of gambling, it is important to remember that your gambling winnings are to be included in income. You are able to get an itemized deduction for your gambling losses to the extent of your gambling winnings. So save your receipts!!

Deductible Medical Expenses:

A deduction is allowed only for expenses paid for the prevention or alleviation of a physical or mental defect or illness. Medical care expenses include payments for the diagnosis, cure, mitigation, treatment, or prevention of disease, or treatment affecting any structure or function of the body. The cost of drugs is deductible only for drugs that require a prescription, with the exception of insulin.

Medical expenses include fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, and psychologists. Also included are payments for hospital services, qualified long–term care services, nursing services, and laboratory fees. A portion of nursing home expenses may qualify as well. Payments for acupuncture treatments or inpatient treatment at a center for alcohol or drug addiction facility are also deductible medical expenses. You may include amounts you paid for participating in a smoking–cessation program and for drugs prescribed to alleviate nicotine withdrawal. However, you may not deduct amounts paid for nicotine gum and nicotine patches, which do not require a prescription. You may deduct the cost of participating in a weight-loss program for a specific disease or diseases, including obesity, diagnosed by a physician. You may not deduct the cost of purchasing diet food items. In addition, you may include expenses for admission and transportation to a medical conference relating to the chronic disease of yourself, your spouse, or your dependent (if the costs are primarily for and essential to the medical care). However, you may not deduct the costs for meals and lodging while attending the medical conference.

The cost of items such as false teeth, prescription eyeglasses or contact lenses and supplies, laser eye surgery, hearing aids, crutches, wheelchairs, and guide dogs for the blind or deaf are deductible medical expenses.

Charitable Contributions:

Effective as of August 17, 2006, monetary contributions must be supported by a dated bank record or a dated receipt.

The donor must ask the donee organization (who must comply) for the following written disclosures:

1) Cash and/or property donations, valued at $250 or more:
    a. The amount of cash donated and/or the description of goods donated. (The donee does not assign the value of the donation.)

    b. A statement as to whether the donee did or did not provide any goods or services* in exchange, in whole or in part, for any cash or property donated.

    c. If goods or services* were provided, the donee must provide a description and a good faith estimate of the value of same.

2) Donations of more than $75 that were given in consideration, in whole or in part for goods or services* provided by the donee:
    a. The donee must inform the donor that the allowable deduction is limited to the cash payment in excess of the value of goods or services* received.

    b. The donee must provide a good faith estimate of the goods or services*.

**Purely intangible religious benefits are excluded.*

Charitable Contributions of Vehicles:

If a vehicle is donated to a qualified organization and the value is over $500, the deduction is limited to the gross proceeds from its sale by the organization.

The fair market value of the vehicle can be deducted if the qualified organization:

1) Makes significant intervening use of the vehicle, or

2) Materially improves the vehicle, or

3) Transfers the vehicle to a needy individual in direct furtherance of the donee's charitable purpose of relieving the poor and distressed or underprivileged who are in need of transportation.

IRA Charitable Contribution:

If you are 701/2 or older, you can make withdrawals, tax free, up to $100,000 a year from your IRA if paid directly to a qualified charitable organization. This may be helpful for those whose IRA distributions cause them to lose out on other tax benefits due to a large adjusted gross income.

Qualified Mortgage Premiums:

Premiums paid through 2010 for Qualified Mortgage Insurance in connection with home acquisition debt on your qualified home are deductible as home mortgage interest in the year they were paid. The deduction is phased out by 10% for those with adjusted gross income of $100,000 or greater ($50,000 if married filing separately).

Sales Tax Deduction:

The sales tax deduction has been continued through the 2009 tax year. As an itemized deduction, you may deduct state and local sales tax paid throughout the year. If you choose not to itemize your sales tax items, the IRS has a standard amount that can be deducted, which can be combined with the sales tax on the purchase of a motor vehicle, home, and home building materials.

Lifetime Learning Credit

The maximum lifetime education learning credit remains at $2,000 for 2008.

Qualified Education Expenses:

Continuing through 2009, depending on the total of your adjusted gross income, you may be entitled to deduct up to $4,000 of "qualified education expenses"…"Above the line" (not an itemized deduction). NOTE: If courses are dropped, and the tuition is refunded, you must adjust your total education expenses for the refund.

Interest on Student Loans:

The maximum deduction for interest paid on a qualified student loan remains unchanged at $2,500 for 2008 for those with modified adjusted gross income of $115,000 or less, and is phased out through $145,000 ($55,000 through $70,000 if single).

Educator Expense Deduction:

Eligible educators may deduct up to $250 of qualified expenses as an adjustment to gross income rather than as a miscellaneous itemized deduction. If you and your spouse are both eligible educators, the maximum deduction is $500. This deduction has been extended through 2009

Child Tax Credit:

The maximum child tax credit for 2008 is $1,000 for each qualifying child. This credit is reduced when the taxpayer's adjusted gross income exceeds $75,000 for single, head of household and qualifying widow(er); $110,000 for married persons filing jointly; and $55,000 for married persons filing separately.

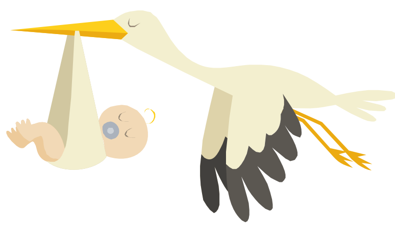
An additional child tax credit may be available to the extent of 15% of the taxpayer's earned income in excess of $8,500 in 2008.

Adoption Credit:

The maximum credit available for adopting in 2008 is limited to qualified adoption expenses of $11,650. A credit of $11,650 is available, regardless of expenses, for the adoption of a child with special needs. The credit will increase to $12,150 for 2009.

If you are in a qualified adoption assistance program with your employer, you may be able to exclude up to $11,650 from your gross income.

The credits above are phased out for those with modified adjusted gross income between $174,730 and $214,730.

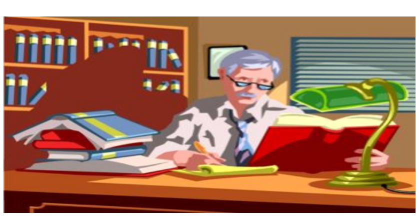


Home Office Deductions

You may be entitled to a home office business tax deduction if the space you use for your home office is used exclusively and regularly as a principle place of business that you either meet with clients regularly in this location, or it is in connection with a separate structure from the residence.

You CAN NOT claim your living room that you happen to do some work out of, as a home office. The area that you designate has to be exclusively for business use only!

If you qualify, you may deduct the proportionate amount of home expenses (property taxes, mortgage interest, insurance, electric bill, etc.) that the size of your office is to the size of your home. (Ex: for a 10' x 10' office, in a 2,500 sq ft home, you may take 4% of your home expenses as a business tax deduction.



Late Filing Penalty on Business Returns:

The IRS has begun assessing a late filing penalty on Partnership Tax Returns (which includes LLC's) and S-Corporation Tax Returns. The penalty is $85 per month multiplied by the number of partners/shareholders if the return if filed after the due date (including extensions).

Are You Current On All Of Your Florida Tax Obligations?

The State of Florida offers a "Voluntary Disclosure" program for people who may owe State tax, such as Sales Tax or Intangible Tax. If you think you may have an undisclosed tax liability, and if you act before the State inquires about it, you have the opportunity to disclose the liability and avoid penalties (i.e. pay the tax and interest only) for the three years immediately preceding the postmark date of filing the "voluntary disclosure."

Year 2009 State of Florida Annual Reports

To all corporations and limited liability companies and limited partnerships, please help us maintain your active status with the State of Florida.

If you have received your annual report form or post card from the State and do not know how to complete it, we can prepare it for you. If you have already filed your 2009 annual report, please send us a copy so that we can retain a record of it on your behalf.

Engagement Letters:

Our accounting institutes (and insurance carrier) have been pressuring us to start issuing engagement letters for a while now. Accordingly, starting this year, we will be sending you engagement letters. The purpose of an engagement letter is to disclose our mutual responsibilities to each other. When you receive this letter, please sign and return it, keeping a copy for your records as well.

Helpful Request:

During tax season, we spend a lot of time, copying your documents so that we can send you back the originals.

We ask that you either:

- Copy your records for us before sending them

OR

- Indicate that we may keep your originals in our files

This will save us time and you money on preparing your income tax returns.

!! IMPORTANT !!
POTENTIAL RED FLAG

S-Corporations and Salaries:

The IRS is looking at S-Corporations whose shareholders, that are active in the business, are not receiving reasonable salaries.

Whereas earnings from sole proprietorships and partnerships are subject to self employment tax, S-corporations are not. Failure to establish a salary and pay employment taxes may be deemed by the IRS to be tax avoidance.

If you are taking large distributions, and little to no salary, the IRS may view that as an issue to investigate.

We can help guide you to determining a reasonable salary.

Helpful Phone Numbers :

Internal Revenue Service –

Individual Assistance	(800) 829-1040
Business Assistance	(800) 829-4933
Refund Tracking	(800) 829-4477
Obtain Federal ID #	(800) 829-4933

Florida Dept. of Revenue –

All Florida Taxes	(800) 352-3671

Social Security Administration –

(800) 772-1213

Lundy & Shacter, P.A.

In Broward County	(954) 452-0100
Outside Broward	(877) 249-1040
Fax	(954) 452-0855

ALL OF US AT LUNDY & SHACTER, P.A. APPRECIATE YOUR BUSINESS AND WISH YOU A HAPPY, HEALTHY, AND PROSPEROUS NEW YEAR!!!

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Ken Halperin, CPA

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Kathy Rath, Bookkeeper

Mayeling Rivero, Bookkeeper

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Marge Slocum, Bookkeeper

Debbie Smith, Bookkeeper

Sabine Thermidor, Bookkeeper