



Ronald K. Parsonage | Mary E. Vandennack | Mark A. Williams
Joshua A. Diveley | Kirk E. Goettsch | Jeffrey R.B. Hansen | Kathy J. Kirschbaum
| Emily R. Langdon |

OVERVIEW OF LEGISLATION AFFECTING INDIVIDUALS AND BUSINESSES IN THE 2008 FINANCIAL RESCUE AND TAX BILL

Dear Clients and Associates:

We are writing to alert you to several tax law changes and other legislation affecting individuals and businesses that were enacted Oct. 3, 2008 by the controversial Emergency Economic Stabilization Act of 2008, also known as the "Rescue Bill." These changes were included in the legislation to win support from lawmakers that were reluctant to approve the Treasury Department's purchase of up to \$700 billion in assets from troubled financial institutions. Although many of the changes will have a modest impact on a relatively small group of taxpayers, the provisions most applicable to our clients are described below for your general information.

TAX RELATED LEGISLATION

- Provides a patch to the Alternative Minimum Tax (AMT) to reduce the number of middle class families subject to the AMT and raises the AMT exemption for individuals to \$46,200 and to \$69,950 for married couples filing jointly. In 2007, the exemption levels were \$44,350 and \$66,250, respectively. The bill also allows personal credits to be used against the AMT.
- Provides an extension through the 2008 tax year for the 15 year cost recovery of qualified leasehold properties, including restaurants, and also makes the shorter depreciation schedule available to retail facilities.
- Allows for a 5 year cost recovery schedule to be used for farm machinery placed in service during 2009.
- Extends through 2009 the standard deduction for real property taxes paid by individuals who otherwise do not have enough deductions to justify itemizing deductions.
- Extends through 2009 existing brownfields tax incentives allowing environmental cleanup costs (except at Superfund sites) to be deducted in the year incurred rather than capitalized. A previous extension covered contamination from one of the most common sources, petroleum, which had not previously been included.
- Extends and increases tax incentives for energy production via solar, fuel cell, and microturbine technology.

- Provides a new tax credit for 30% of expenditures associated with obtaining personal wind turbines or geothermal heat pumps at a residence.
- Extends through 2013 the tax deduction for energy efficient commercial buildings and extends the new energy efficient home tax credit through 2009.
- Extends through 2009 income and excise tax credits (and increases the rates of such credits) for biodiesel and renewable diesel used as fuel.
- Excludes idling reduction units and advanced insulation from the heavy-duty truck and tractor tax.
- Provides new tax credits for qualified plug in hybrid vehicles.
- Extends through 2012 the exclusion from gross income gain attributable to the discharge of indebtedness on a principle residence.
- Extends the research and development tax credit through the end of 2009 and increases the alternative simplified credit from 12% to 14% for the 2009 tax year. The legislation also repeals the alternative implemental research credit for the 2009 tax year.
- Provides a two year extension to the election to deduct state and local sales tax in lieu of deducting state income taxes. This election is most beneficial to residents of those states that do not assess an income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming).

NON-TAX LEGISLATION

- Provides a temporary increase to \$250,000 in the amount of insurance provided to depositors in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC).
- Requires insurers and employers to cover mental illness, including alcohol and drug addiction, at levels on par with physical illness. For example, there must be parity in deductibles, co-pays, and out-of-pocket expenses. Limits that insurers commonly impose for mental illness, such as 30 visits or 30 days in hospital, will be illegal in the absence of similar limits for medical and surgical coverage. The new law does not force employers or health plans to cover mental illness or alcohol or drug abuse in the first place. And it does not apply to employers with fewer than 50 employees.

If you would like further information on any of the above items, or have any other questions about related matters, please do not hesitate to contact us.