

IRS Increases Mileage Rates through Dec. 31, 2008

WASHINGTON – The Internal Revenue Service announced an increase in the optional standard mileage rates for the final six months of 2008. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

The rate will increase to 58.5 cents a mile for all business miles driven from July 1, 2008, through December 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008, as set forth in Rev. Proc. 2007-70.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

“Rising gas prices are having a major impact on individual Americans. Given the increase in prices, the IRS is adjusting the standard mileage rates to better reflect the real cost of operating an automobile,” said Commissioner Doug Shulman. “We want the reimbursement rate to be fair to taxpayers.”

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in Announcement 2008-63 on the optional standard mileage rates.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Keeping Good Tax Records

In a tax emergency, would you be ready? Well-organized records not only help you prepare your tax return, but they also help you answer questions if your return is selected for examination or prepare a response if you are billed for additional tax.

Fortunately, you don't have to keep all tax records around forever. Normally, tax records should be kept for three years, but some documents — such as records relating to a home purchase or sale, stock transactions, IRA and business or rental property — should be kept longer.

If you are an employer, you must keep all your employment tax records for at least 4 years after the tax becomes due or is paid, whichever is later.

If you are in business, there is no particular method of book-keeping you must use. However, you must clearly and accurately show your gross income and expenses. The records should substantiate both your income and expenses.

Penalty for Erroneous Claim for Refund or Credit

There is a new penalty if you file a claim for refund or credit of income tax in an excessive amount, and you did not have a reasonable basis for making the claim. A claim is for an excessive amount to the extent that the claim exceeds the amount of the allowable claim.

The penalty can apply to any claim filed after May 25, 2007.

Summer is in full swing. It's time to enjoy the outdoors with vacations and all of the summer time recreational activities. But, do not take a vacation from making your tax payments and filing all of the required reports. The tax man **NEVER** takes a vacation. Before you leave on the summer trip, be sure to have your filings and payments in order.

Be safe and enjoy the summer,



Gambling Winnings and Losses

Your summer vacation may mean a trip to the casino or the race-track. What will you owe Uncle Sam if Lady Luck happens to be on your side?

Gambling winnings are fully taxable and must be reported on your tax return.

You must file Form 1040 and include all of your winnings. Gambling income includes, among other things, winnings from lotteries, raffles, horse races, and casinos. It includes cash winnings and also the fair market value of prizes such as cars and trips.

Anyone who pays your winnings or awards you a prize is required to issue you a Form W-2G if your winnings are subject to Federal income tax withholding or if your winnings are over a certain amount.

However, all gambling winnings must be reported regardless of whether any portion is subject to withholding. In addition, you may be required to pay an estimated tax on your gambling winnings.

If your luck isn't always so good, you may deduct gambling losses. Losses may be deducted only if you itemize deductions and only if you also have gambling winnings. Claim your gambling losses as a miscellaneous deduction on Form 1040, Schedule A. But remember, the losses you deduct may not be more than the gambling income you report on your return.

Even though you may be on vacation, if you want to deduct losses when you file your return next spring, it is important to keep an accurate diary or similar record of your gambling winnings and losses right now.

To deduct your losses, you must be able to provide receipts, tickets, statements or other records that show both your winnings and losses.

Laugh Out Loud

Finish What You Start

My therapist told me that the way to achieve true inner peace is to finish what I start.

So far today, I have finished two bags of chips and a chocolate cake.

I feel better already.

Tax Calendar for August

Business:

Aug 15 Monthly Payroll Taxes Due

Aug 20 State Sales Tax Due

Are You Eligible to Deduct Moving Expenses?

You can deduct your allowable moving expenses if your move is closely related, both in time and in place, to the start of work at a new or changed job location. You also must meet the distance test and the time test.

Note: Military persons should see Members of the Armed Forces in Publication 521, Moving Expenses, for special rules that apply to them. Also, retirees and survivors who move to the United States should refer to Publication 521 for special rules that apply to them.

Motivational Quote

**"Why not? Why not you?
Why not now?"**

Aslan
Heroic lion in "The Chronicles of Narnia"