

# The Report



CONDLEY AND COMPANY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS  
www.condley.com

## New Annual Electronic Filing Requirement for Small Tax-Exempt Organizations – e-Postcard (Form 990-N)

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice will lose their tax-exempt status.

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, Return of Organization Exempt from Income Tax, or Form 990-EZ, Short Form Return or Organizations Exempt from Income tax. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ. In addition, the filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches.

The IRS began mailing educational letters in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. The IRS is developing an electronic filing system (there will be no paper form) for the e-Postcard and will publicize filing procedures when the system is completed and ready for use.

The PPA requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

If you would like additional information about this new filing requirement, including notification when the filing system is ready, or information about other new developments, subscribe to exempt Organization's EO Update, a regular e-mail newsletter that highlights new information posted on the Charities pages of irs.gov. If you have additional questions please call here at Condley and Company, L.L.P..

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### Company & Employee Updates

- The Condley and Company building had it's 100th birthday in November.
- Shanna Ferguson received her CPA certification and has been promoted to Audit Supervisor
- Ryan Gibson received his CPA certification and has been promoted to Audit Senior
- Jeff Blanks has been promoted to Audit In-Charge
- Corey Tacker has been promoted to Tax In-Charge



## 2008 Inflation Adjustments Widen Tax Brackets, Raise IRA/401(k) Limits and Expand Tax Benefits

By *Mary Lee Brooks, Tax Accounting / Services Partner*



For 2008, personal exemptions and standard deductions will rise, tax brackets will widen and workers will be able to save more for retirements, thanks to inflation adjustments announced by the Internal revenue Service.

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being adjusted for 2008.

Key changes affecting 2008 returns, filed by most taxpayers in early 2009, include the following:

The value of each personal and dependency exemption, available to most taxpayers, is \$3,500, up \$100 from 2007.

- The new standard deduction is \$10,900 for married couples filing joint return (up to \$200), \$5,450 for singles and married individuals filing separately (up \$100) and \$8,000 for heads of household (up \$150). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$65,100, up from \$63,700 in 2007.
- The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$4,824, up from \$4,716. The income limit for the credit for joint return filers with two or more children is \$41,646, up from \$39,783.
- The maximum Hope credit, available for the first two years of postsecondary education, is \$1,800, up from \$1,650 in 2007.
- The income limit for the savers credit is \$53,000 for joint filers (up \$1,000) \$39,750 for heads of household (up \$750) and \$26,500 for singles and married persons filing separately (up \$500). Low-and moderate income workers who contribute to a retirement plan, such as an IRA or 401 (k), may qualify for the credit, which is available in addition to any other tax savings that apply.
- The contribution amount allowed for Roth IRAs begins to phase out for joint filers with incomes exceeding \$159,000 (up from \$156,000) and \$101,000 (up from \$99,000) for singles and heads of household.
- For contributions to a traditional IRA, the deductions phase-out range for an individual covered by a retirement plan at work begins at income of \$85,000 for joint filers (up from \$83,000) and \$53,000 for a single person or head of household (up from \$52,000).
- Participants in most employer-sponsored 401(k) plans and 403(b) plans for employees of public schools and certain tax-exempt organizations can contribute up to \$15,500, unchanged from 2007. Individuals, age 50 or over, can make an additional contribution of up to \$5,000 also unchanged from 2007.
- Individuals participating in SIMPLE retirement plans can contribute \$10,500, unchanged from 2007. Those, age 50 or over, can make an additional contribution of up to \$2,500, also unchanged from 2007.
- The annual contribution limit for most defined contribution plans rises to \$46,000, up from \$45,000 in 2007.



## **Treasury, IRS Extend Documentation Deadline for 409A Compliance**

The Treasury Department and the Internal Revenue Service (IRS) announced that taxpayers will have until December 31, 2008 to bring documents into compliance with the final nonqualified deferred compensation regulations under section 409A of the Internal Revenue Code.

In April, Treasury and IRS issued final 409A regulations, which provided guidance regarding the requirements for deferral elections and payment timing under section 409A. Affected plans and arrangements were required to comply with the final regulations by December 31, 2007. IRS Notice 2007-78 extends the document compliance deadline for one year and provides additional limited transition relief, but does not extend the January 1, 2008 effective date of the final regulations.

Notice 2007-78 also announced that Treasury and the IRS anticipate issuing guidance containing a limited voluntary compliance program that will permit corrections of certain unintentional operation violations of section 409A.

The final regulations were in response to legislation enacted by Congress in 2004 to address concerns involving reported abuses of nonqualified deferred compensation plans.

## **2008 Business Milage Rate**

**The IRS has released the 2008 Business Milage Rate...**

**Beginning January 1, 2008, the rate is 50.5 cents per mile.**

## **Work Opportunity Tax Credit Expands**

***By Jim Miller, Tax Manager***

The Work Opportunity Tax Credit (WOTC) is available on an elective basis to an employer for a percentage of limited amounts of wages paid or incurred by the employer to individuals who belong to a "targeted group." One such group has been expanded to include individuals who have (1) attained age 18 but not age 40 on the hiring date and (2) a principal place of abode within a rural renewal county. The following Texas counties qualify as a "rural renewal county": Andrews, Bailey, Baylor, Borden, Briscoe, Brooks, Castro, Cochran, Coleman, Collingsworth, Cottle, Crane, Culberson, Deaf Smith, Dimmit, Eastland, Fisher, Floyd, Foard, Gray, Hall, Hardeman, Haskell, Hemphill, Hockley, Hutchinson, Kenedy, Kent, Knox, Lamb, Martin, McCulloch, Morris, Nolan, Oldham, Reagan, Reeves, Refugio, Roberts, Scurry, Stonewall, Terrell, Terry, Upton, Ward, Wheeler, Wilbarger, Winkler, Yoakum and Zavala.

Employers that hire employees that fit the above criteria, as well as other previously allowed criteria, may qualify for a tax credit as much as \$2,400 for each eligible employee. Employers must satisfy certain certification requirements in order to qualify for the credit. Please call our office if you are interested in learning more about the Work Opportunity Tax Credit.



## Preserve Your Temporary Texas Credit Now

Recent changes to the Texas franchise tax law allow a taxable entity to take a temporary credit for business loss carryforwards (the credit) against its franchise tax due on net taxable margin, provided the taxable entity preserves its right to take the credit on or before the due date of its 2008 report (May 15, 2008). Once a taxable entity has preserved its right to take the credit, it may elect to take the credit on any franchise report due after January 1, 2008.

The Texas Comptroller's office has created Form 05-172 in order to preserve the credit. You may have already received this form in the mail (Form 2E-013 via mail). The form can be accessed online at [www.window.state.tx.us/taxinfo/taxforms/05-172.pdf](http://www.window.state.tx.us/taxinfo/taxforms/05-172.pdf). We will be happy to file the form on your behalf or look over your calculation of the carryforward. It is very important that all entities with a business loss carryforward file this form. Note that not all taxpayers will have a business loss carryforward to report. Please call us with any questions you may have regarding this form.

## Congress Passes Tax Act

On December 26, President Bush signed the "Tax Increase Prevention Act of 2007", which included a fix that prevented additional tax for millions of taxpayers. Due to the late passage of the Act, IRS has targeted February 11th as the potential starting date for taxpayers to begin submitting several forms. Please keep this in mind as the filing season begins.

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