

BAILOUT BILL BURDENS BROKERS, BENEFITS BICYCLISTS

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Practices & Industries

Business Tax

The massive economic rescue law signed by President Bush on October 3 is the topic of conversation everywhere. The tax provisions included in this new law, however, are less well known. One new provision, for instance, will require brokers to report your basis (and whether your gain is long term or short term) on Form 1099 when you sell stock.

Although it is not effective until 2011 (later for some securities), this new requirement is bound to give brokers headaches. Determination of basis is often simple, but it can be almost impossible in some situations. The new law includes provisions designed to facilitate the reporting process, but brokers will undoubtedly find this requirement burdensome. The government hopes this new provision will increase revenue by forcing taxpayers to report more accurately gain on sales of stocks, bonds, etc.

Those who commute to work on a bicycle, on the other hand, may benefit from the new law. Bicycle commuters whose employer reimburses them for the purchase and repair of their bicycles may be able to exclude the reimbursement from income. The amount excluded annually is subject to limits, including an overall limit of \$20 multiplied by the number of months in the year the employee commutes by bicycle.

Other Energy Provisions

This modest provision for bicycle commuters is one of many in the new law designed to encourage use of renewable energy. Among the new energy provisions of interest to individuals are a new tax credit for plug-in electric drive vehicles purchased before 2015, an extension of the credit for the purchase of residential energy efficient property (such as solar power generating equipment or solar water heating equipment), and extensions of credits for energy efficient improvements to residences. In addition, the new law extends several business credits designed to promote the efficient use of energy.

Alternative Minimum Tax Help

Congress also took steps with the new law to moderate the growing effect of the alternative minimum tax (AMT). As it has done several times recently, Congress enacted a one year "patch" to reduce the number of middle income people the AMT will reach in 2008. The new law also extends a rule that allows certain credits that formerly did not reduce AMT (for example, the dependent care credit, the child tax

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credit, and certain tuition credits) to offset an individual's AMT liability. As with the AMT patch, this provision is effective only for 2008.

Other New Rules Affecting Individuals

The new law makes permanent the current "mental health parity" rule. This rule applies to private insurance plans covering 51 or more employees that offer mental health benefits. It requires them to treat mental health services the same as medical and surgical services. Any cost-sharing provisions (for example, co-pays) or benefit limits must be the same for both mental health and other services.

Other provisions of the new law of interest to individuals include the following.

- Tax relief for individual (and business) victims in the "Midwest disaster area." This comprises certain counties in 10 Midwestern states that experienced severe storms, floods, and tornadoes earlier this year.
- New tax breaks for victims of "federally declared disasters" (as determined by the president).
- Extension through 2009 of the election to deduct sales tax instead of state income tax. This provision is beneficial to individuals who live in states with no income tax.
- Extension through 2009 of the above the line deduction for tuition and related expenses of higher education.
- Extension through 2009 of a teacher's deduction for supplies used in the classroom. This above the line deduction is subject to limits, most notably a \$250 maximum per year.
- Extension through 2009 of the standard deduction for property taxes for individuals who do not itemize their deductions. The maximum deduction under this provision is \$500 (\$1,000 for filers of joint returns). The standard deduction cannot exceed the amount of property taxes actually paid.
- Extension through 2009 of the ability of individuals 70½ or older to make charitable contributions of up to \$100,000 annually directly from their IRAs. These distributions from IRAs go directly to the charity; they are not included in the IRA holder's income. Consequently, the IRA holder is not entitled to a charitable deduction.

Some New Rules Affecting Businesses

There are also many changes to the tax rules affecting businesses in the new law. Some examples are the following.

- Extension through 2009 of the new markets credit.
- Enhancement and extension through 2009 of the research credit.
- Extension through 2009 of the 15-year straight line depreciation method for leasehold improvements and restaurant property.

The bill signed into law by President Bush has many other tax provisions. If you want to know how they may affect you or your business, [click here](#).