

# **TAX FLASH**

The following is a brief outline of 2007 tax update information. If you have any questions or desire further details, please do not hesitate to contact the advisors at Valley Oak Financial.

**Roth IRA.** After 2009, rollovers will no longer be limited to \$100,000 modified AGI. If a traditional IRA is converted to a Roth in 2010, an election can be made to spread the tax due over the next two years.

**IRA Tax Free Payouts.** During 2007, a maximum of \$100,000 a year may be donated from regular IRAs or Roth IRAs and excluded from AGI. The IRA owner must be at least 70½ when the distribution is made and the distribution must be sent directly to the charity.

**Section 179.** Section 179 has been extended through 2009. The maximum deduction for 2007 is \$125,000.

**Charitable Contributions.** *Clothing and household items* may be deducted only if the items are in “good use condition or better.” IRS will accept letters from the organization stating that the items donated were in good condition. *Cash*, regardless of amount, may be deducted when applicable recordkeeping requirements are satisfied. The donor must maintain a record of the contribution, such as a bank record, canceled check or a receipt listing the organization’s name, date, and amount of contribution.

**Random Audits are Back.** Beginning in 2008, the IRS will reinstate the selection of several thousand line-by-line exams of 1040s.

**Kiddie Tax Changes Effective in 2008.** The Small Business and Tax Opportunity Act of 2007 left the existing kiddie tax rules in place for those children 18-years old and younger. The kiddie tax has now expanded the definition of a child to include those 18 to 23-years old and a full-time student.

**Small Business and Tax Opportunity Act of 2007.** This Act, signed into law May 25, 2007, will: expand the exposure of the kiddie tax, increase the already extended Section 179 limits, increase tax preparer penalties (when applicable), increase the federal minimum wage, modify certain individual tax credits, and impact certain elections within partnerships and S Corporations.

If you have questions or concerns regarding the impact of any of this on you or your business, please contact us for a free, one hour consultation.



**Matthew L. Rzepka, CPA, CFP®**  
4230 South Westnedge Avenue | Suite 6  
Kalamazoo, Michigan 49008  
269.492.7220 *telephone* | [mlr@vofcpa.com](mailto:mlr@vofcpa.com) *email*