



The \$700 billion [Emergency Economic Stabilization Act of 2008](#), more commonly known as the “bailout bill,” was passed by Congress and signed by the President October 3, 2008. In order to get agreement, Congress added \$150 billion of tax incentives to the bailout bill. The Emergency Economic Stabilization Act of 2008 includes an extender bill, an AMT relief act, a disaster relief act and an alternative energy bill.

The following summary is just the briefest look at the 400 pages of tax changes included in the new law:

The Extenders

The new law extended for 2008 and 2009 more than 30 provisions that expired or were soon to expire. For individuals the bill extended the sales tax deduction, the tuition deduction, the teacher deduction, additional standard deduction for property taxes paid, and the tax-free transfer of IRA funds to a charity for taxpayers who were at least 70½ at the time of the trustee to charity transfer. For businesses, the new law extended for 2008 and 2009, the R and D credit, the 15-year depreciation for leasehold and restaurant improvements, and the enhanced deductions for business contributions of computers, books and food.

The AMT patch

The new law increased the AMT exemptions for one year to \$69,950 for married filing joint, \$46,200 for single and \$34,975 for married filing separate. The new law also extended for one year the provision that allows nonpersonal credits for both regular tax and AMT. These changes will save 20,000,000 taxpayers from paying AMT tax in 2008.

The new law also made a dramatic change to the AMT credit. A long term unused credit is 50% refundable in 2008 and 2009. In addition anyone with a deficiency due to a qualifying ISO stock option exercise can request an abatement of the tax, interest and penalties.

Disaster relief

For Presidentially declared disasters after 12-31-07 and before 1-10-10, the new law allowed a casualty loss to be deducted without the 10% AGI limitation.

Enhanced tax relief is available for the Midwestern Disaster Area and to some extent for the Hurricane Ike victims.

The Energy Act

The new law extended until 12-31-13 the §179D deduction for energy improvements to commercial building. It also reinstated for 2009 the home builder/manufacture credit for energy efficient homes.

The \$500 credit for energy efficient improvements to a personal residence has been reinstated after 12-31-08 and before 1-1-10.

The solar credit has been extended for 8 years. The \$2,000 cap has been removed.

Other changes

Broker reported basis will be required for stock acquired in 2011 and later.

The “more likely than not” standard to avoid preparer penalties has been reduced to the “substantial authority” standard, matching individual taxpayer’s standards.

The refundable childcare credit is expanded.

[Click here](#) to learn more about this and other critical tax changes impacting you, your practice, and your clients - and earn self-study CPE online.

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Recognized by CPA Magazine as one of the top 50 IRS representation practitioners in 2008, Vern Hoven presents regularly for the AICPA, CCH, and numerous state CPA Societies. His dynamic presentations combine the real-life experience of a practicing CPA with essential down-to-earth tax materials. Always on the forefront of CPE, Vern’s popular Federal Tax Update courses are now available online as streaming video at www.hoven.com