

JBN Attorneys

- Kent A. Noble
- Frederick A. Johnson
- James P. Johnson
- Matthew P. Jones
- Brian F. Johnson

Of Counsel

- Patrick T. Chambers
- Frederick D. Johnson

JBN Practice Areas

- Real estate
- Title insurance
- Estate planning
- Probate
- Elder Law
- Business formation
- Litigation (personal & business)
- Personal injury
- Banking law
- Municipal law
- Taxation
- Family law
- Debt collection

Johnson, Bunce & Noble, P.C.
 Executive Offices—Parkway Plaza
 7800 N. Sommer St.
 Suite 425
 Peoria, IL 61615-1994
 Phone: (309) 691-9650
 Fax: (309) 691-9651
 Web: www.peorialawyers.com

Johnson, Bunce & Noble, P.C.

Client Newsletter

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Tax Time—2007 Tax Law Update

Being the year before the presidential election, not much changed for the year 2007 in terms of income tax law.

As such, we will recap some of the existing tax laws and basic information that may be useful to you.

Mortgage Insurance Premium Deduction for 2007

In 2007, there is a new tax deduction for individuals who purchase a home and buy qualified mortgage insurance (also known as PMI). This deduction is treated as qualified



residence interest for 2007 only. The deduction does not apply to mortgage insurance contracts before January 1, 2007. There is a phaseout for this deduction, which is based on AGI.

The following deductions/credits have been extended through 2007:

- State and local sales tax deduction
- Higher education tuition deduction
- Teacher's classroom expense deduction (\$250)
- Credit for residential alternative energy expenditures

Expanded Eligibility for Property Tax Freeze (Illinois)

Beginning in 2006

(taxes payable in 2007), the maximum annual household income level for the senior freeze increased to \$50,000. Those between \$45,001 and \$50,000, however, receive reduced benefits.

2007 INFORMATION

Standard Deductions

Joint	\$10,700
Single	5,350
Head of Household	7,850
Married (filing sep.)	5,350

Gift Tax Information

Maximum (without subject to gift tax)	\$12,000
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Miscellaneous Information

Adoption Credit	\$11,390 (subject to phaseout)
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Personal Exemption

\$3,400

2007 Firm Update

As 2007 nears an end, all of us look back at the year's accomplishments. At JBN and JBN Title, 2007 was a year of changes and growth.

As you know, Jim Bunce entered blissful retirement. Although it appears Jim has had no problems transitioning into retirement, he still makes special lunch appearances.

Kent Noble continues to serve an ever-growing estate planning clientele. He and Bonnie enjoy spending time with their five grandchildren.

Rick Johnson's golf game may not be the best, but at least he has fun. His title

department, JBN Title, saw amazing growth, due mostly to the quality of service provided.

Jim Johnson and his family have taken up bowling. His children have even qualified for state competitions. While not bowling, Jim continues to serve a growing business, real estate, and tax planning clientele.

Matt Jones continues to provide support for JBN in collection and litigation matters. He and his wife, Sandy, are enjoying their first child, Ben.

Brian Johnson enters his second year of practice. He has eased into the areas of business law, real estate, taxation,

estate planning, and collections. He and his wife, Jenny, are expecting their first child in June.

Patrick Chambers joined the firm as of counsel. His experience and professionalism have proven to be invaluable to JBN's clients.

Overall, JBN and JBN Title saw continued steady growth and smoothly transitioned through some challenging changes. As always, we thank you for your loyalty, support, and trust in us. There is no doubt that 2008 will be another successful and fulfilling year.

Starting a Business 101

There are many considerations when choosing to start your own business. Some of those considerations include: liability protection, taxation, ease of formation, ease of upkeep, initial costs, and ongoing costs.

In Illinois, there are many different types of business entities. Some of these types of entities include: sole proprietorships, partnerships, corporations, and limited liability companies.

A **sole proprietorship** is a business in which one person owns all the assets, owes all the liabilities, and operates in his or her personal capacity.¹ This basic form of business provides ease of formation and upkeep with

relatively little cost. However, there is no personal liability protection to the business owner. Also, the owner is taxed on his individual income tax return, which makes tax reporting relatively easy.

A **partnership** is a voluntary association of two or more people who jointly own a business for profit.² The rights and duties between partners are generally governed by a "partnership agreement". The business's taxes flow through to the partners' personal tax return. Also, there is no personal liability protection for the partners. However, there are also variations of partnerships, called limited partnerships, limited liability partnerships, etc.

A basic corporation (called a "**C corp**") is a common entity choice. Unlike a sole proprietorship or a partnership, liability is limited to the corporation as long as proper corporate formalities are followed (proper minutes, annual filings, separate accounts, etc.). It is vital that once a corporation is formed, annual maintenance is performed by an attorney. Without proper maintenance, the corporation can lose its corporate identity—subjecting the shareholders to personal liability.

Although a C corp is taxed at the corporate and shareholder level, many corporations qualify for "**S corp**" status with the IRS, which would allow the corporate level taxation to be eliminated (leaving only

shareholder level taxation). This selection is popular.

Another popular choice is the **limited liability company (LLC)**. LLCs are generally managed by its "members" or "managers". Although more expensive to form, the business can generally save money because the need for annual minutes, special minutes, etc. (like a corporation) is eliminated.

Call Brian Johnson to learn more about forming your business.

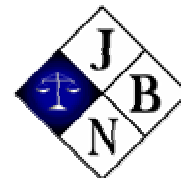
References
1 & 2: Black's Law Dictionary, 8th ed.

DISCLAIMER: The law quickly changes. Nothing in this newsletter should be relied upon as legal advice. Please consult our office for legal advice tailored to your specific factual situation.

ONLINE NOTE: This newsletter is also available online.

**Happy Holidays from Johnson, Bunce & Noble, P.C.
& JBN Title Services, Inc.**

Thank you for a great 2007!



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7800 N. Sommer St.—Suite 425
Peoria, IL 61615-1994

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