

Congress has extended the business tax credits and personal deductions

After promises, delays, and time off the lawmakers has sent a \$40 billion tax bill to President Bush. Many expired business tax credits and individual tax breaks as well as new one-year itemized deduction for mortgage insurance premiums.

Since the IRS has already mailed out its 1040 form and instructions, it now will need to issue supplemental instructions regarding how and where taxpayers should include the extended deductions on their 2006 federal tax return, said CCH principal federal tax analyst Mark Luscombe.

Tuition deduction

The tuition deduction is an above-the-line deduction for qualified higher education expenses.

The deduction may be taken on a maximum of \$4,000 in tuition and fee. The tuition deduction may not be taken for expenses for which you are claiming an education credit.

State and local sales tax deduction

The deduction gives taxpayers the option on their federal return of deducting either what they paid in state and local income tax or what they paid in state and local general sales taxes, whichever is higher. Which is great for us here in Texas.

Teachers' classroom deduction

The provision allows teachers to continue to deduct their out-of-pocket costs -- up to \$250 -- for buying classroom supplies.

Mortgage insurance premium deduction

The legislation allows taxpayers who itemize their deductions to deduct premiums paid for mortgage insurance - which is required when home buyers purchase their homes with less than 20 percent down.

The new insurance premiums deduction will only apply to mortgage insurance contracts issued in 2007.

IRS has changed the filing deadline for all taxpayers.

The deadline for individual taxpayers has been changed to **April 17**. Earlier the IRS had allowed taxpayers served by the New England processing center an extra day because of a state holiday. Now, the IRS is providing that extra day's extension to all taxpayers.

A personal note from Jean

I have been committed to personal and professional growth for most of my adult life. As part of that growth process, I have recently completed the requirements to become a Certified Senior Advisor (CSA).

The health, financial and social needs of seniors are different and more complicated than those of any other age group. Society of Certified Senior Advisors (SCSA) keeps me up to date on these issues by providing education, support and communication resources. I will apply this knowledge to my tax practice.

I look forward to using my new knowledge in providing you and your family with leading-edge information, as well as ethical service, in the areas of senior issues regarding tax preparation and planning.

There is a magazine that comes out quarterly called "Senior Spirit" that I would love to send to seniors that you feel might enjoy it. "Senior Spirit" is produced by the SCSA to help advisors communicate senior issues. Please email, call or fax their information to us and we will get them on our mailing list. The next magazine will go out in February.



Tax Quiz Question

John purchased exterior windows and an electric heat pump for his personal residence, which qualifies for the residential energy credit. When computing the credit, is it limited to the cost of the windows and heat pump, or can the cost of installation be included?

Know more.
Pay less.
Be wise.



Telephone Excise Tax Refund

The Telephone Excise Tax Refund (TETR) is a one-time payment available on your 2006 federal income tax return. It is designed to refund previously collected long distance telephone taxes. Individuals, businesses and tax-exempt organizations are eligible to request it.

Individuals

Taxpayers have a choice: a standard refund amount between \$30 and \$60, based on the total number of exemptions claimed on their 2006 tax return, to eliminate the need to locate old phone bills; or they can locate those bills and use the actual amount.

Businesses

Businesses can dig through their old phone bills for the past 41 months to base their telephone tax refund on the actual amount of tax paid. Or they can review their bills for 2 months and use a special formula to figure the refund.

Reminder! Our Email Tax Tips

We send out a tax tip by email as new tax issues develop. Generally, we send out one once a week. So, if you are not getting and want to start, just call, e-mail or drop us a line so we can put you on the mailing list.

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Important Tax Dates February

Individual

2/15/06 New W-4 must be filed with employers

Business

2/15/06 Monthly Payroll Taxes

2/20/06 Sales Tax Due

Motivational Quote

"Even if you're on the right track, you'll get run over if you just sit there."

Will Rogers



Tax Quiz The Answer

The windows are considered "energy efficient improvements," and the credit does not include the cost of installation. However, the electric heat pump is considered "energy-efficient building property" and the onsite costs to assemble or install the heat pump does qualify for the credit. The windows are reported on Form 5695, Residential Energy Credits, Line 2b, while the heat pump costs are reported on Line 5a (IRS Notice 2006-26).