

Know Your Options: Protecting Your Rights

The IRS will not disclose to anyone the information you give the IRS, except as authorized by law. You have the right to know why the IRS is asking for information, how it will be used, and what happens if you do not provide the requested information.

Representation

You may represent yourself or, with proper written authorization, have someone else represent you. Your representative must be a person allowed to practice before the IRS, such as an attorney, certified public accountant, or enrolled agent.

Examinations

The IRS accepts most taxpayers' returns as filed. If the IRS inquires about your return or selects it for examination, that does not suggest you are dishonest. The inquiry or examination may or may not result in more tax; your case may be closed without change or you may receive a refund.

Appeals and Judicial Review

Publication 5, Your Appeal Rights and How to Prepare a Protest If You Don't Agree, explains your right to disagree with an examiner's proposed changes and request the case be reviewed by the IRS Appeals Office.

Collections

You are responsible for paying only the correct amount of tax due under the law — no more, no less. If you can't pay all of the tax due, you may be able to make monthly installment payments. Penalties and interest for late payment will still apply unless reasonable cause is established. Even if you can't pay the total tax due, be sure to file all tax returns timely to avoid a late filing penalty.

Help from the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS created to assist taxpayers seeking help in resolving tax problems resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. To contact the TAS call toll free (877) 777-4778 (800) 829-4059 for TTY/TDD or visit the Taxpayer Advocate Service page on IRS.gov to see if you are eligible for assistance.

School Tuition for Special Needs Child Deductible as Medical Expense

In Letter Ruling 200729019, the IRS states that a parent can deduct as a medical expense the tuition paid to a special school for the benefit of his special needs child.

A child was diagnosed with several developmental disorders along with delayed motor, cognitive, and social development skills. Most recent neuropsychological reports stated that she would need a support program for two of her conditions if she were to attend college. She was referred to a particular school that had courses designed for her conditions. The school offered students with learning disabilities the help they needed in order to be successful in completing college and to become competent and responsible adults.

While ordinary education is not medical care, the cost of medical care includes the cost of attending a "special school" for the mentally or physically handicapped individual if the primary reason the child attends the school is to alleviate a physical or mental handicap. The regulations also state that the cost of care and treatment of a mentally or physically handicapped individual at an institution is within the meaning of "medical care".

Are You Close To Burning Out?

The political environment that will not stop, school is finally out, the heat, the high gas prices and groceries. Life is tuff. Here are a few ways to "rejuvenate":

1. Take a day off - Set aside a day each week for rest.
2. Cultivate spiritual disciplines – particularly silence and solitude.
3. Indulge in a life-giving hobby – consider something you've always wanted to do but never gave yourself permission to enjoy.
4. Invest in quarterly retreats – once every three months take a planned break from your regular activity for rest, reflection, and prayer.
5. Hang out with friends – find safe relationships where you can "let down your hair" and be you.

Laugh Out Loud

How to Tell the Sex of a Fly

A woman walked into the kitchen to find her husband stalking around with a fly swatter

'What are you doing?' She asked.

'Hunting Flies', He responded.

'Oh. ! Killing any?', She asked.

'Yep, 3 males, 2 Females,' He replied.

Intrigued, She asked, 'How can you tell them a part?'

He responded, '3 were on a beer can, 2 were on the phone.'

Tax Calendar for July

Business:

July 15 Monthly Payroll Taxes Due
July 20 State Sales Tax Due
July 31 Payroll Reports Due

There has been another glitch in sending rebates to taxpayers. The latest involves folks who took out refund anticipation loans. It turns out that some rebates were sent to temporary refund loan accounts set up by lenders instead of being sent to taxpayers. IRS wants lenders to transfer the money to filers. Otherwise, IRS will mail checks to the taxpayers.

New Tax Proposals/Ideas from the Candidates

Senator Barrack Obama

Obama would give a credit of up to \$500 per person and \$1,000 per family to offset payroll tax on the first \$8,100 of earned income.

Seniors with income below \$50,000 would be exempt from income tax,

Non-itemizers would get a 10% mortgage interest credit.

The child and dependent care credit would rise for folks with income below \$60,000

Reform the Alternative Minimum Tax so it would no longer hit the middle class.

High-incomers would bear the brunt of paying for Obama's tax ideas – High-incomers are defined as families making \$250,000 and up – their tax rate will become 39.6%. Plus they would lose the child credit and marriage penalty relief.

The top 15% capital gains would rise to 20% or more. He would also raise the Social Security wage base – but isn't clear on the details.

Corporations will also pay higher tax rate as well as higher payroll taxes.

Senator John McCain

McCain would double personal exemption to \$7,000 – cutting millions from the tax rolls.

He would also repeal the Alternative Minimum Tax for individuals.

He would maintain the Bush tax cuts for all taxpayers. – Including high incomers – keeping the maximum 35% marginal income tax rate, the 15% top rate on dividends and long-term gains, as well as the \$1,000 child credit and marriage penalty relief.

The federal estate tax would be permanently eased.

Businesses could expect plenty of tax relief including a reduction in the top corporate tax rate from 35% to 25%.

Raising taxes would be a lot tougher under McCain. His plan requires a three-fifths majority of both houses to pass a tax increase.