

Financial Statements



The Newsletter of Allied Tax Planners

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The Tax Increase Prevention and Reconciliation Act

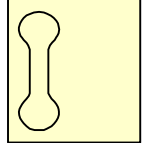
This Act was signed into law on May 17. It extends the 15% tax rate on dividends and capital gains through the year 2010. It would have expired in 2008. The Alternative Minimum Tax exemption is increased to \$42,500 (up from \$40,250) for single filers and \$62,550 (up from \$58,000) for married filing joint. It isn't enough, but we'll take it. The current expensing of asset purchases (section 179) up to \$100,000 is extended through 2009. This allows one to write off new tangible assets used for business in one year instead of depreciating the asset over its useful life. The application of the kiddie tax now will apply to children up to age 18 versus 14. This is a tax increase. Conversions of standard IRA's to Roth IRA's was limited to those with adjusted gross incomes of less than \$100,000; this limit has now been eliminated. This will be an important choice for many. Offers and compromises have never been liked by the IRS. Lately they have been very picky and have rejected many offers for simplistic clerical errors. One tax attorney used to advertise that the average settlement was for 8% of the taxes owed. Those days are over. The new law requires 20% of the taxes owed to be submitted with the offer! The total number of monthly payments they will accept is five. You must make these payments while the offer is being reviewed. If you offer a lump sum, it must be sent in with the offer. They have up to 2 years to accept or reject the offer. If they reject the offer they will keep all that you have paid. Lawmakers must have consulted with the Mafia when they wrote these changes. "It is anticipated that these changes will substantially reduce the number of offers filed with the IRS." No kidding!

IRS COLLECTIONS may be handled by private debt collectors in the future. In March debt collections companies were employed which has stirred debate. Congress will decide the matter within a month.

Keep Your Telephone Bills

IRS Notice 2006-50 concedes that long distance telephone services aren't subject to federal excise taxes. On our 2006 tax returns we will be able to claim a refund (tax credit) for the amount you have paid between February 28, 2003 to August 1, 2006. This will not apply to wireless phones or calling cards. So check all your bills and add up the federal

federal excise tax charged on the long distant calls. This will likely be your refund. For those who don't have phone bills for the last few years, cheer up, there will be a general calculation for everyone, albeit much smaller.



Business Owners

Are you aware of the many deductible retirement programs available to you? Are you maximizing deductions from your car used for business? More than one car can be used for one business.

Deduct Summer Camp for Children

When the camp enables parent(s) to be employed, it can be deducted just like day care expenses and qualify them for a tax credit. This assumes all other qualifications for the credit are met. The overnight expenses are not deductible. A separation of expenses is necessary when it is an overnight camp. So whether it is computer camp, soccer, bible, or whatever they mean by specialty camp, another deduction may be available to you.

Pay Less Tax in '06!

By Daniel Haupt, CRTP

Here are some tax-saving opportunities to cash in on before 2007. Act now, or you might regret it! Use capital gains and capital losses to offset each other. Depending on your situation, you may realize gains or losses at year-end. Any excess loss can offset up to \$3,000 of ordinary income in 2006. This strategy is also a great long term retirement planning strategy.

Estimate your alternative minimum tax (AMT) liability. It may be possible to avoid or reduce the AMT by postponing certain "tax preference" items to 2007. Alternatively, you might accelerate income into 2006 if your AMT rate is lower than your regular tax rate.

Avoid estimated tax penalties. You pay no penalty if your tax payments for 2006, including withholding, equals at least 90 percent of this year's tax liability or 100% of last year's liability (110% if your 2005 AGI was \$150,000 or more).

Reduce tax on real estate gains through installment sales. The income you receive from real estate sales is generally taxable in the year it's received.

But you may be able to spread out the tax bite by selling property on the installment basis.

Consolidate personal debts into a home-equity debt. Unlike nondeductible personal loans, you can deduct the interest paid on the first \$100,000 of home equity debt, regardless of how you use the proceeds. Caveat: The debt is secured by your home, so use this technique with caution.

These are just a handful of the tactics we could implement before year-end. Other techniques may be helpful for your situation. To arrange a meeting to discuss year-end planning call your advisor at (925) 248-6800. P.S. True tax planning requires an in-depth examination of your circumstances. This will enable us to develop a comprehensive plan that addresses your specific needs.

Financial Section

Getting Ahead

Achieving financial security has far more to do with planning than hitting it big. It is an interesting human custom to associate getting ahead with good luck in the stock market, hitting the lottery, knowing something unique, being in the right place, or starting a company. It is not in our genes to think that nearly all of us, in whatever work we do, can achieve financial security. From the movie "Field of Dreams," we remember the phrase "If you build it they will come."

If you have a plan for financial security, it will come. A system must first be in place. Once you have a plan and systems in place to create the growth, monitor the plan, and make course corrections quarterly—it can happen for anyone.

And by the way, the few that get lucky never are able to keep it, without a plan. Ask us about our new systems for coordinated tax and financial planning.



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