



CWR Monthly

October 2006

As we enter the last quarter of the year, our focus should begin to shift to ensuring that we have adequately positioned ourselves through proper tax planning for the end of the year. Next month we will focus on some last minute things we can do to maximize our tax deductions and credits for 2006 and in December I will publish a user friendly tax organizer to help you organize your tax information to ensure that you don't forget easily overlooked deductions that would be favorable to you.

However, for this month I want to concentrate on some informational items that will help you in preparing your personal and small business income taxes for 2006. The following are some items that are applicable in preparing your 2006 tax return:

1. Telephone Tax Refund: Due to the elimination of the long distance excise tax on telephone service, taxpayers are entitled to claim a refund on their 2006 tax return. To reduce the burden on the taxpayer from having to substantiate any tax paid over the last 41 months, the IRS is offering a standard tax refund amount of \$ 30.00 for one exemption, \$40.00 for two exemptions, \$50.00 for three exemptions, and \$60.00 for four or more exemptions

As of this date businesses and nonprofits must base their telephone tax refund on the actual amount of tax paid, however, the IRS is looking for ways to make the refund process easier for these taxpayers as well.

2. IRA Contributions: For 2006 you can contribute up to \$ 4000 (\$ 5000 for 50 years and older) to both your Traditional IRA and your ROTH IRA, subject to certain income limitations if you or your spouse participate in an qualified employer sponsored retirement plan.

3. Standard Mileage Allowance for personal vehicle used in business: The Standard Mileage Allowance for using your personal vehicle in business is 44.5 ¢ per mile. Please maintain a log of your business mileage stating:

- a. Date of useage
- b. Destination
- c. Purpose of vehicle use
- d. Total business miles driven

4. Pension Protection Act of 2006: On August 17, 2006 President Bush signed into law the

Pension Protection Act of 2006. The new law encourages personal retirement savings for individuals. A notable portion of the Pension Protection Act makes permanent many of the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 that were due to sunset after 2010. A full summary of the new law can be found at www.natptax.com.

5. Standard Deduction for 2006: The standard deductions for 2006 are as follows:

a. Single or Married Filing Separately	\$ 5,150
b. Married Filing Jointly or Qualifying widow(er) with dependent child	\$10,300
c. Head of Household	\$ 7,550
d. Additional Amount for Aged or Blind	\$ 1,000
e. Additional Amount If Aged or Blind and Unmarried and Not a Surviving Spouse	\$ 1,250
f. Minimum Dependent Standard Deduction *	\$ 850

* This deduction is the greater of \$ 850 or the sum of \$300 plus the dependent's earned income.

6. Personal Exemption for 2006: The Personal Exemption for 2006 is \$ 3,300. The personal exemption amount begins to phase out at, and is completely phased out after, the following adjusted gross income amounts:

<u>Filing Status</u>	<u>Phaseout Begins When AGI Exceeds</u>	<u>Phaseout Complete When AGI Exceeds</u>
Single	\$150,500	\$273,000
Married Filing Jointly and Surviving Spouse	\$225,750	\$348,250
Head of Household	\$188,150	\$310,650
Married Filing Separately	\$112,875	\$174,125

Hopefully these informational items will assist you as you begin to think about your tax circumstances for 2006. Next month we will look at some last minute ways to maximize your tax deductions and credits for 2006.

Til next time.

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