



CWR Monthly

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On December 26, 2007 President Bush signed the **TAX INCREASE PREVENTION ACT OF 2007**. The legislation was passed to prevent an estimated 25 million taxpayers from becoming subject to the Alternative Minimum Tax (AMT). The Act increases the AMT exemption amount for 2007 to \$66,250 for married individuals and surviving spouses, \$44,350 for single taxpayers and taxpayers filing as heads of households, and \$33,125 for married couples filing separately. The new law allows taxpayers to use most nonrefundable personal tax credits to offset AMT liability.

Due the late passing of this legislation the big concern was the impact this late legislation would have on the 2007 tax filing season. Initially the reports came out that tax filing could be delayed up to 10 weeks due to the IRS having to re-program all their computers to adjust for this legislation.

The IRS just announced that for most taxpayers, the late passage will not impact their ability to file early in the season, beginning in mid-January. However, approximately 3 to 4 million taxpayers will be impacted and will not be able to file until February 11. Those that will be impacted will be those filers that have any of the following forms to submit with their return:

- 1. Form 8863, Education Credits**
- 2. Form 5695, Residential Energy Credits**
- 3. Form 1040A's Schedule 2, Child and Dependent Care Expenses for Form 1040A filers**
- 4. Form 8396, Mortgage Interest Credit**
- 5. Form 8859, District of Columbia First-Time Homebuyer Credit**

This legislation is significant because of the impact that the AMT is beginning to have on many middle income taxpayers. The reason for this problem is that when the Alternative Minimum Tax (AMT) (which was designed to ensure that upper income filers would pay their fair share of taxes) was initially enacted into law it was not indexed for inflation. Therefore, inflation creep has caused many middle income taxpayers to become subject to the AMT. Congress cannot agree on legislation to fix this problem, therefore, every year they vote to provide a "patch" for the current tax year.

With the AMT "patch" finally in place for tax year 2007, most filers can now proceed to begin to prepare their tax returns, with no delays.

Beginning next month and extending through the month of April, my monthly newsletter will direct you to the Tax Seasonal Tax Tips offered by the Internal Revenue Service. It is my hope that the Tax Tips offered during this period will help you prepare your tax information and assist you in claiming your maximum deductions for the 2007 Tax Year.

Until next time,

Charlie

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