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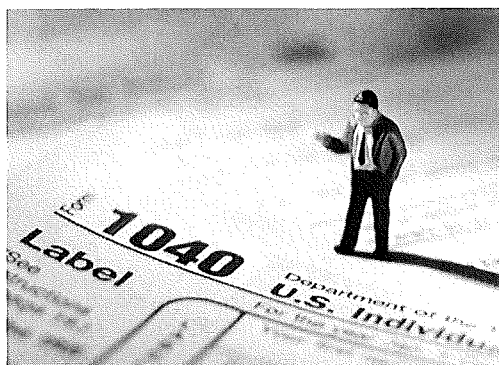
Checklist of Itemized Deductions

The general rule about itemizing your deductions on your tax return depends on whether your deductions exceed what Uncle Sam has offered as a standard deduction. Use the partial list of itemized deductions below as a checklist to help determine whether you may benefit from itemizing.

✓ Medical & dental costs, including those incurred for your child not claimed on your tax return, include:

- Doctor & dentist fees
- Insulin
- Acupuncture
- Nursing fees
- Hospital fees
- Contacts, including supplies used with contacts (saline & enzyme cleaner)
- Chiropractic services
- Medical, dental and long-term care insurance (does NOT include amounts deducted from your paycheck PRE-TAX)
- Hearing Aids
- Dentures
- Guide dog for physically disabled persons
- Cosmetic surgery for deformity relating to a congenital abnormality, accident or disease
- Special equipment installed in home to provide a medical benefit
- Birth control prescribed by a doctor
- ✓ State income taxes
- ✓ Real estate taxes
- ✓ Personal property taxes
- ✓ Home mortgage interest
- ✓ Points paid on purchase of residence

- ✓ Points paid on refinancing
- ✓ Investment interest
- ✓ Charitable contributions
- ✓ Casualty losses
- ✓ Theft losses
- ✓ Tax return fees
- ✓ Safe deposit box used to store investment information
- ✓ Work clothes not suitable for normal wear



- ✓ Expenses relating to tax planning
- ✓ Expenses relating to investments
- ✓ Professional dues and Union dues
- ✓ Certain unreimbursed employee expenses
- ✓ Subscriptions to professional magazines
- ✓ Continuing professional education
- ✓ Occupational licensing fees

- ✓ Travel expenses relating to managing investments
- ✓ IRA administration fees
- ✓ Job hunting costs
- ✓ Medical exams required by employer
- ✓ Gambling losses to extent of gambling winnings
- ✓ Estate taxes
- ✓ Fees to collect interest or dividends
- ✓ Legal fees for collecting taxable income or keeping a job
- ✓ Trust administration fees
- ✓ Impairment-related work expenses

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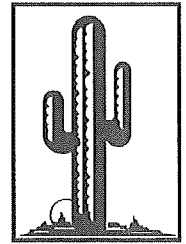
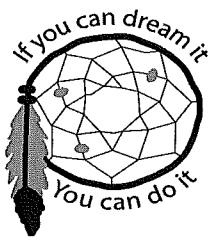
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Retirement is supposed to be the golden years of life. Whether it is or not depends on how well you plan for it. No matter what your age is, it's not too soon **OR TOO LATE** to begin planning.

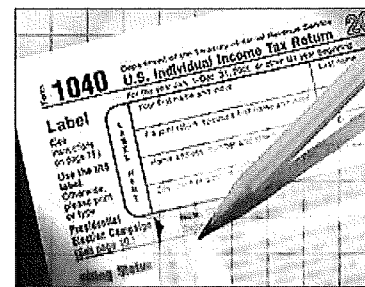
Phone Excise Tax to Be Refunded

Uncle Sam has announced that effective August 2006, it will no longer collect federal excise tax on long-distance telephone services, and will allow taxpayers to request refunds for excise taxes paid from March 2003 through 2006.

Anyone who paid the long-distance telephone tax will get the refund on their 2006 federal income tax returns. This includes individuals, businesses and nonprofit organizations.

Individual taxpayers can choose to figure their refund using the actual amount of tax paid or use a standard amount provided by Uncle Sam. The standard amounts are based on the total number of exemptions claimed on the 2006 federal income tax return. The standard amounts are \$30 for a person filing a return with one exemption, \$40 for two exemptions, \$50 for three exemptions and \$60 for a person filing a return with four or more. For example, a married couple filing a joint return with one dependent child would get a standard long-distance excise tax refund of \$50.

Though businesses must use the actual amount of tax paid to claim the refund, the IRS is currently looking at methods that can be used to estimate tax paid.



Saving Your Name

Here's what consumers can do if they feel at risk of identity theft:

- ✓ Place fraud alerts with the three major credit bureaus:

Equifax 1-800-525-6285

www.equifax.com

Experian 1-888-397-3742

www.experian.com

TransUnion 1-800-680-7289

www.transunion.com

- ✓ Review the bureaus' credit reports and contact creditors about any problems.
- ✓ If you are a victim of identity theft, file a police report and a complaint with the Federal Trade Commission at www.ftc.gov
- ✓ Counseling for identity theft victims is available free from non-profit groups. (The Identity Theft Resource Center lists some at www.idtheftcenter.org.) Private companies also provide ID theft resolution, for a fee.

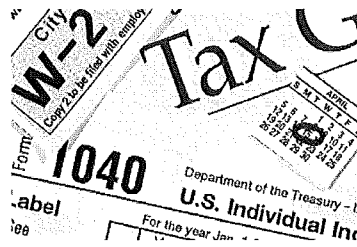
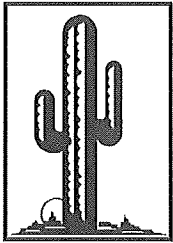
REMEMBER—

Cheryl Wilson is an Enrolled Agent,
Licensed to Practice before the IRS

AND

A Certified Financial Planner®

AN UNBEATABLE
COMBINATION!!



IRS Activity

The IRS is hiring and stepping up audit activity, especially for high income and self-employed taxpayers. The IRS estimated that the over \$109 billion of the underreporting gap came from understated net business income-underreported receipts and overstated expenses.

The Schedule C has been especially targeted for IRS scrutiny. IRS statistics show that returns with a Schedule C have a higher audit rate than other returns. The IRS is especially interested in discovering if the Schedule C is actually a Hobby.

Medicare & Medicaid

The Part B Medicare premium deducted from your monthly Social Security check will be \$93.50 in 2007. This deduction represents only 25% of the cost of the program.

Starting in 2007, high-income taxpayers (single with income greater than \$80,000 and married with income greater than \$160,000) will pay higher premiums for Medicare Part B.

There have been recent changes in the Medicaid (AHCCCS or ALTCS) Look Back period. The Reform Law was passed on February 8, 2006 and increases the Look Back period from 3 to 5 years. Gifting during the lookback period will trigger a penalty of one month per \$4,806 gift (in 2006).

Facts about Social Security

To reduce the shortfall today to protect the next 75 years would require a 13% benefit cut or a 15% tax increase. The projected annual shortfall is 2.02% of gross taxable payroll.

To pay all scheduled benefits over the next 75 years will require \$4.6 trillion in contributions above what is already anticipated from payroll tax collections.

The Social Security Administration estimates that the fund will go broke in 2040 (the Congressional Budget Office estimate is 2052)

More than 48 million people receive monthly Social Security Benefits

32% of the U.S. working age population has no savings set aside for retirement

53% of the work force is without private pension coverage

84% of Social Security revenues are from payroll taxes

The sole source of income for 22% of those aged 65 and older is Social Security. Social Security constitutes 39% of that group's annual income

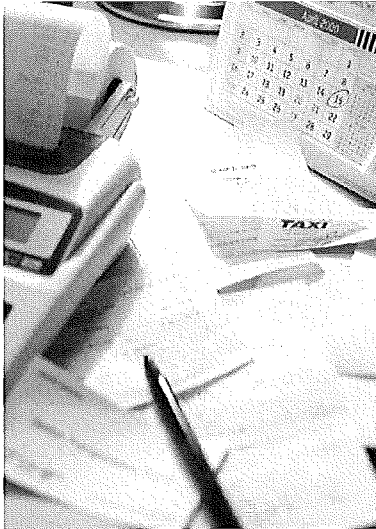
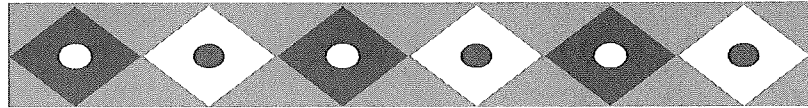
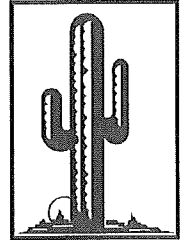
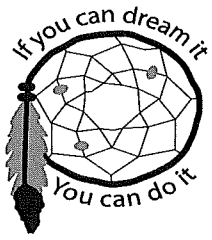
Most experts agree that a retiree will need 70% to 85% of pre-retirement income to live comfortably

Retiree medical costs are increasing faster than retirement savings

In 30 years there will be twice the number of retirees as today

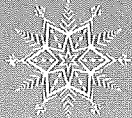
Mileage Rates Increase for 2007

Increased costs for fuel have pushed the standard mileage reimbursement rate up from 44.5 cents in 2006 to 48.5 cents for 2007. The new rate for moving and medical mileage has increased from 18 to 20 cents per mile while the charitable rate remains at 14 cents per mile. The new rates will be effective January 1, 2007.



Roth 401(k)

The Roth 401(k) became available in 2006 for the first time. If your company has amended its 401(k) plan to accommodate Roth contributions, you may want to make after-tax Roth contributions rather than pre-tax 401(k) contributions. The Roth 401(k) allows taxpayers who have income too high to contribute to a Roth IRA to make those contributions. In addition, the allowable contribution to the Roth 401(k) exceeds the \$4,000 Roth IRA limit and can be as much as the regular 401(k) limit of \$15,000 (plus \$5,000 catch-up contribution for those over fifty years of age). The benefit of this choice comes when distributions are made tax free.



Conversions to Roth IRAs

Starting in 2010, the new law eliminates the \$100,000 adjusted gross income ceiling for converting a regular IRA to a Roth IRA. Conversions are treated as a taxable distribution, but are not subject to the 10% early withdrawal penalty. Income recognized from the conversion can be taxed in the year of conversion or averaged over two years.

Steve Crowe's 2006-07 TAX GUIDE



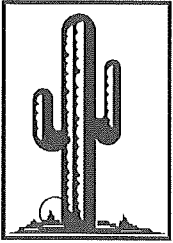
Health Wealth Raffle

Each year we are asked if the amount paid to the Health-Wealth Raffle is a deductible contribution.

From the Health-Wealth website:

www.healthwealthraffle.org

“The IRS has taken the position that amounts paid for chances to participate in raffles, lotteries or similar programs are **NOT GIFTS** and, therefore, the price of the entry does **NOT** qualify as a deductible charitable contribution.”



2 New Tax Acts Passed in 2006



Uncle Sam signed into law two new tax acts during 2006. The first, on May 17th, entitled *The Tax Increase Prevention and Reconciliation Act* and the second, on August 17th, entitled *The Pension Protection Act*. Both pieces of legislation will affect a broad cross section of taxpayers.

Here is an outline of the major changes. ***The Tax Increase Prevention and Reconciliation Act*** is focused on extending numerous tax provisions scheduled to lapse. In addition there are some new and expanded provisions. Below are some of the major changes:

- ✓ Extending the capital gains tax cuts
- ✓ Extending the qualified dividend tax cuts
- ✓ Adding some Alternative Minimum Tax relief
- ✓ Increase of the income limitations on Roth IRA conversions
- ✓ Expanding the Kiddie Tax provisions
- ✓ Extending the small business Section 179 expensing election

The second piece of legislation to pass is ***The Pension Protection Act*** which primarily focuses on pension reform and includes these provisions:

- ✓ Forcing employers to shore up pension plans by requiring most plans to be fully funded over a seven year period starting in 2008
- ✓ Permanent continuation of tax-free college savings Section 529 withdrawals
- ✓ Tightening of rules used to value donated clothing and household items
- ✓ Requires more substantiation for your cash gifts, which include checks and credit card donations
- ✓ Older philanthropists will be able to give money

directly from their IRAs to a charity without having to include the IRA withdrawal as income on their income tax return, effective for years 2006 and 2007, up to \$100,000

- ✓ Taxpayers will now be able to have their tax refund deposited directly into three different accounts, including an IRA account.
- ✓ Starting in 2008, taxpayers will be able to directly roll most company pension plans directly into a Roth IRA

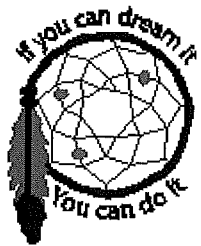
Other changes of interest include:

- ✓ **Interest paid on tax-exempt bonds** is subject to the same information reporting requirements as exist for interest paid on taxable obligations, effective for interest paid after December 31, 2005
- ✓ Divorced parents may claim their children's medical expenses as a medical deduction, regardless of which parent is claiming the child as a dependent
- ✓ The option to deduct Sales Taxes has expired for 2006
- ✓ Cash contributions must have a statement from the charity showing the name of the charity, the date of the



contribution, and the amount given; alternatively, a taxpayer can have a bank record of the contribution. There is NO dollar threshold for this recordkeeping requirement. That means—no receipt, no deduction

- ✓ For non-cash contributions, deductions may not be taken for donations of used clothing and household items that are not in "good used condition or better". The best way to protect your deduction is to take pictures of what you are contributing along with an itemized list of what was contributed



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