

Federal Tax Form 1040 Changes - 2006

The tax return filing season is right around the corner. There have been a number of changes that may reduce the tax you owe on the return you will be filing soon. Among the changes:

- You can claim a new tax credit of up to \$500 for energy-saving improvements you make to your home. These include such items as energy-efficient windows and doors and circulating air fans. (Keep in mind that a tax credit, unlike a deduction, reduces your tax bill dollar for dollar.)
- The IRS is refunding federal excise taxes paid by telephone subscribers on long distance toll calls. The mechanism for this refund is the 2006 Form 1040. Your refund equals either (1) a flat dollar amount based on the number of the personal exemptions you claim or (2) the actual tax you paid after February 28, 2003 (if you have records to support the amount of your payments).
- If you itemize your deductions, your deductions are phased down if your income exceeds certain levels. The higher your income, the bigger the phase-down. However, starting with the 2006 return, this phase-down has been cut back. So, even if your income has increased, you may be able to get a bigger benefit from your itemized deductions.
- If you claim the standard deduction instead of itemizing your deductions, there is good news for you too. The standard deduction for 2006 is higher than it was in 2005.

Unfortunately, not all of the recent Form 1040 developments have been positive for taxpayers. For example, a new tax law change may limit the deduction you can claim for charitable donations of clothing and other household items.

We will be happy to discuss these and other tax return changes with you. Please contact us.

You may have already received important tax documents for 2006. You will continue to receive information through January and early February. These documents will be used to prepare your tax return. Get organized now! Take an empty file folder or manila mailing envelope and write "2006 Tax Documents" on it. Keep it close at hand (in the general area where you open your daily mail), so you can file "Important Tax Documents" as you receive them. When you visit your tax preparer, you will be

NSA represents accountants who specialize in serving individuals and small-to-mid-size businesses. For more information about taking advantage of year-end tax tips, contact Tim Metz, TJM CPA, Inc, at 602-432-5853, tim@tjmcpa.com.