



Client NEWSLETTER

January 2007

Angolano & Company
Certified Public Accountants
P.O. Box 639
2834 Shelburne Road
Shelburne, VT 05482

angolanocompany@verizon.net

Phone: 802-985-8992
Fax: 802-985-9442
David H. Angolano, CPA
Heather L. Angolano, CPA
David J. Angolano



Mileage Rates

	<u>2006</u>	<u>2007</u>
	(cents per mile)	
Business	44.5	48.5
Medical	18.0	20.0
Moving	18.0	20.0
Charity	14.0	14.0
Hurricane Katrina relief	32.0	0.0



IMPORTANT DATES

Individual tax returns due:

April 16, 2007

Individual federal/state estimated tax payments due:

**January 16, 2007,
April 16, 2007,
June 15, 2007, and
September 17, 2007**

Corporate tax returns due:

March 15, 2007

Partnership/Estate/Trust tax returns due:

April 16, 2007

Reminder



Subcontractors paid more than \$600 during 2006 will need to have a Form 1099 issued to them prior to January 31, 2007. W-2 forms for employees are also due by January 31st.



WHAT'S NEW...

- ⇒ The **educator expense deduction** of up to \$250, the **\$4,000 tuition and fees deduction**, and the **state and local sales tax deduction** all expired in 2005. Current legislation exists to extend these deductions into 2006, but has not yet been acted on by Congress.
- ⇒ The **Kiddie tax** previously affected dependent children under age 14. Beginning in 2006, dependent children under age 18 are affected.
- ⇒ The **Capital gain and qualified dividend tax rate** of 15% that was set to expire at the end of 2008 has been extended through 2010. The 5% rate will remain in effect for 2007 and be reduced to 0% for 2008 through 2010.
- ⇒ **Alternative minimum tax relief** has been extended through 2006 but the related exemption amounts will decrease significantly for 2007.
- ⇒ Qualified distributions from **Section 529 College Savings and Prepaid Tuition Plans** have been made permanently tax-free.
- ⇒ A portion of **Individual Retirement Accounts** may be donated to charity. See separate newsletter article.
- ⇒ The **declaration of homestead and property tax adjustment programs** are combined into one form.
- ⇒ **Income tax refunds** may be designated to pay property taxes.
- ⇒ **Property tax adjustments** are made directly to the Towns.
- ⇒ **Rebates and "prebates"** are combined into one payment: the education property tax adjustment.
- ⇒ **Rebates** will no longer be used to reduce income tax liabilities.
- ⇒ On January 1, 2007 Vermont begins participation in the **Streamlined Sales Tax Agreement**.

THE PENSION PROTECTION ACT OF 2006

On August 17, 2006, the Pension Protection Act of 2006 was signed into law. The Act makes it possible to donate portions of Individual Retirement Accounts to charity without having to report taxable income.

How it works:

A taxpayer, who has reached the age of 70 ½, authorizes the IRA custodian to issue up to \$100,000 to a charity. The check must be made out to the charity but does not have to be mailed directly to the charity.

Advantages:

- The distributions satisfy minimum distribution requirements.
- Itemized deduction limitations and phase-outs do not apply to these types of donations.
- Distributions do not add to taxable income, which is important for social security recipients trying to keep income below certain thresholds.
- Reduces taxable estate.



Disadvantages:

- Value of IRA and earning potential is reduced.
- Beneficiary inheritance is reduced.
- Administrative burdens on the part of the IRA custodian and the charity.

Limitations:

Contributions are limited to \$100,000 per year in 2006 and 2007.

ACT 191: HEALTH CARE REFORM

Beginning April 2007, employers with more than 8 full-time equivalent employees over the age of 18 who are not covered by a health plan must begin paying a Health Care Assessment. This includes employees who are ineligible for an employer's plan as well as employees who refuse coverage and are not covered elsewhere. The assessment of \$91.25 per full-time equivalent is calculated and paid with the State Unemployment tax on a quarterly basis.

A full-time equivalent (FTE) is equal to 520 hours of work each calendar quarter. For example, an employee who works 300 hours during the quarter is equal to .58 FTE (300 divided by 520). Employees who work more than 520 hours during the quarter are equal to one FTE. In 2007 there is no assessment on the first eight FTEs. The exemption decreases in 2008 to 6 FTEs and again in 2009 to 4 FTEs.