

Yuma Business Direct

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PATHWAYS TO PROFIT

What you should know about 2006 taxes

The end of the year is approaching, so I thought it would be a good time to turn to local tax preparer Perry Knaub, president of PDK Business Solutions, and find out what we should be aware of as we head into the 2006 tax preparation season.



BY LEAH THISS

First, Perry urges all of us to double check our W4 election for our federal tax withholding. According to new regulations that went into effect in 2005, employers no longer have to notify the IRS when 10 or more exemptions are taken.

At the same time, the IRS implemented a process to use information on file to identify employees with potential withholding problems and can instruct an employer to increase the amount of withholding from an employee's paycheck.

To ensure that the optimal level of funds are being withheld from your

paycheck, you can use the withholding calculator on the IRS Web site and change your W4 election accordingly. Here are highlights Perry provided for the 2006 tax year:

> Know what you're worth.

Standard deductions have increased to: head of household — \$7,550; married filing jointly — \$10,300; married filing separately — \$5,150; and single — \$5,150. In addition, exemption amounts have increased to \$3,300.

> Ring in the new year

with a "telephone tax" refund.

This will allow millions of taxpayers to request a \$30 to \$60 refund without digging up old phone bills.

> Benefit from thinking green.

You will continue to be rewarded this year for being environmentally conscious. Hybrid cars and alternative motor vehicles placed in service in 2006 will receive tax credit through the Energy Policy Act of 2005. Credits range from \$250 (for the 2006 and 2007 Chevy Silverado 2x4 pickup) to \$3,150 (for the 2006 Toyota Prius).

There also are new energy credits for qualified improvements to your existing

home, such as solar water heating, photovoltaic equipment and fuel cell property.

> Save more for retirement.

Traditional individual retirement account (IRA) limits have increased. The "catch-up" provision for taxpayers over age 50 has increased to a maximum of \$5,000.

> Add up your mileage.

Standard mileage rates are 44.5 cents per mile for business, 14 cents per mile for services to a charitable organization, 18 cents per mile for medical reasons, and 18 cents per mile for qualified moving expenses. Don't forget to keep a mileage log and note the main purpose for each trip.

> Direct your refund

where you want it.

Tax refunds can be direct deposited into up to three different accounts. Besides checking and savings accounts, the refunds can be directed into IRAs, health savings accounts (HSAs), Archer medical savings accounts (MSAs), Coverdell education savings accounts and individual development accounts (IDAs).

> Beware of tax collectors.

The IRS recently awarded contracts to three firms to help them collect delinquent taxes.

If you haven't filed your taxes or don't have an existing agreement with the IRS to pay outstanding taxes from past years — look out! You may be a target for these new, potentially more aggressive, tax collectors.

I know figuring out your taxes can be overwhelming, but don't make it more stressful than it needs to be. If you took some of the earlier advice I have provided in this column, especially regarding putting time and resources into the maintenance of accurate accounting records throughout the year, you're probably breathing a sigh of relief.

If not, *now* is the time to get your accounting and bookkeeping records in order. You still have time to lower your tax liabilities before Dec. 31.

Leah Thiss is the CEO and president of BBBS Inc., an outsourced accounting and bookkeeping services company with offices in Yuma and San Diego. She can be reached at leaht@bbbsinc.com or 329-8000 or by visiting www.bbbsinc.com.



WWW.BBBSINC.COM
1-866-329-8009