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# New Tax Legislation Alert

## Tax Increase Prevention and Reconciliation Act of 2005

July 7, 2006

### Provisions of TIPRA may directly impact your tax liability

On May 17, 2006 President Bush signed the Tax Increase Prevention and Reconciliation Act (TIPRA), which contains investor tax breaks, alternative minimum tax (AMT) relief, and several other provisions with immediate and long-term impact on individual and business taxpayers.

Below are several areas affected by provisions of TIPRA that may **directly impact your tax liability**. They are as follows:

#### For Individual Taxpayers

- One year extension of AMT relief. If Congress does not make its 2006 temporary fix permanent, AMT exemptions will fall back to 2000 levels for 2007.
- Two-year extension of investor tax breaks – 15% capital gain and dividend rates through 2010.
- Income limitations on Roth IRA conversions are eliminated beginning in 2010.
- “Kiddie tax” age limit is raised from under 14 to under 18.
- Capital gain treatment for self-created musical works. Previously the sale of such assets generated ordinary income.
- Changes to the foreign-earned income exclusion and housing allowance for U.S. citizens working abroad.

#### For Business Taxpayers

- Extension of increased expensing for small business - Section 179 maximum dollar amount that may be deducted annually is \$100,000 (\$108,000 for 2006, as adjusted for inflation).
- 50% W-2 wage limit on the Code Sec. 199 domestic production deduction has been modified.
- Two-year extension of the active financing exemption and relaxation of certain look-through rules for controlled foreign corporations.
- Shortening of amortization period for expenses paid or incurred in creating musical works and copyrights.
- Various revenue offset provisions, such as a revised estimated tax payment schedule for large corporations (assets > \$1 billion).

If you would like further details regarding the provisions of how TIPRA may impact you, please call me at your earliest convenience to discuss.



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