



Last Minute Tax Legislation Affecting Your 2006 Tax Return

*Highlights from the Tax Relief and Health Care Act of 2006,
signed into law December 20, 2006.*

- Extends qualified tuition and related expenses. The Act extends the above-the-line tuition deduction for two years, through December 31, 2007.
- Extends sales tax deduction through 2007. You have two options for determining deductible sales tax: (1) actual sales tax paid if receipts are maintained for IRS verification; or (2) as estimated in tables provided by the IRS plus sales tax on certain additional items (such as a boat or car) that may be added to the table amount. The IRS will be issuing a separate publication carrying optional sales tax tables for the 2006 tax year; these tables will *not* be in the Form 1040 instructions.
- The tax break permitting elementary and secondary school teachers and certain other school professionals to deduct up to \$250 of out-of-pocket costs incurred to purchase books, supplies and other classroom equipment is extended through 2007.
- The 30% tax credit for the purchase of residential solar water heating, solar electric equipment and fuel cell property is extended through Dec. 31, 2008. The maximum credit depends on the type of energy efficient property that you buy.
- For the 2007 tax year only, there's a new itemized deduction for the cost of premiums for mortgage insurance on a qualified residence. The deduction is phased-out for taxpayers whose adjusted gross income exceeds \$100,000.
- After 2006, a limited relief provision helps individuals who wound up with AMT (alternative minimum tax) problems because of their exercise of incentive stock options.
- The new law includes many changes for health savings accounts (HSAs).

New Law Changes Affecting Businesses

- The accelerated write-off for certain leasehold improvements and restaurant property (depreciation over 15 years instead of 39 years) is restored for 2006 and extended through 2007.
- The tax credit for builders of new energy efficient homes is extended through 2008. The credit applies to manufactured homes meeting a 30% energy reduction standard and other homes meeting a 50% standard.
- The deduction for energy efficient commercial buildings meeting a 50% energy reduction standard is extended through Dec. 31, 2008.

If you would like further details regarding the above or would like to discuss year end tax planning for 2006, please contact us at your earliest convenience to discuss.

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