

ASCOT TAX TIPS ©

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INCOME TAX AUDITS ... ARE YOU

Audits are awaiting you and now is the time to prepare for this distasteful event. The IRS and state of Arizona are increasing the examining of tax returns. During the review process, they are looking at tax returns and making sure that you have reported all of the income that appears on official records. Too,

they are looking at the deductions that you have taken and are seeking to insure that you have not overstated the amounts that you placed on the tax return.

The IRS and state of Arizona use tax data that has been reported on each tax payer. The IRS shares data with the State and the State shares infor-



Want To Be In This Picture? Not Me.

mation with the IRS. Feel like you are in a catch 22? In prior years it was the IRS that accomplished all of the income tax audits. However, today that is not the case. Arizona Dept Of Revenue

(AZDOR) are doing the same types of audits that the IRS has

performed in the past. The basis for the audit is the Federal Income Tax Return and all of the attachments to the tax return. If you are notified of a IRS / AZDOR audit, do not attempt to handle the audit on your own. Professional assistance should be sought. **Keep tax records and avoid the audit nightmare**

YEAR END TAX PLANNING TIPS

1. PAY ESTIMATED TAXES TO LOWER YOUR 2007 TAX BILL .

2. DONATE TO A SCHOOL THAT OFFER SCHOLARSHIPS TO STUDENTS.

3. GIVE YOUR NON-CASH ITEMS TO CHARITY – GET A RECEIPT AND MAKE A LIST OF DONATED ITEMS.

4. GIVE APPRECIATED STOCK TO A CHARITY INSTEAD OF CASH.

5. EXAMINE THE INVESTMENT PORTFOLIO FOR LOSSES.

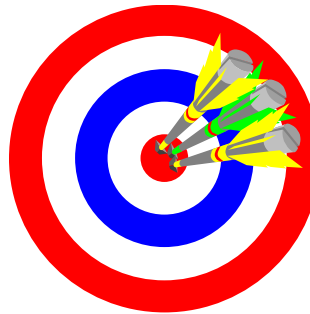
6. SELF EMPLOYED, SET UP A SAVINGS PLAN FOR RETIREMENT.

Special points of interest:

- Your financial plan is the foundation for your future.
- Evaluate your plan and make adjustments to attain your stated goals.
- Success is a series of small steps aimed at a goal.
- Each day is gift, pass this precious gift on to someone else.
- You are the captain of your ship, lead, don't follow.

SOCIAL SECURITY AND YOUR TAXES

- Social Security taxes are collected based on the wages you earned or from self employment. For 2007, you will pay taxes based on earnings of \$ 97,500.00.
- If you are receiving Social Security benefits, some of the funds **could be taxable**. There are some steps that you can take to reduce the taxes you



Social Security, a safety

pay on the funds you receive. Call for details.

- If receiving Social Security benefits, still working, and you have not reached full retirement age, you can earn \$ 12,480.00 with no reduction in Social Security in you benefit. Excess amounts will reduce you benefit by one dollar for each \$ 2.00 earned.

IRA NEWS ...

Strategies for retirement planning should include a varied portfolio to include stocks, bonds, mutual funds, certificate of deposits, and Individual Retirement Accounts (IRA's). **You have until April 16th, 2007** to make a deposit into your IRA account. Deposit amounts are varied and depend on your earnings, age, and if you are enrolled in a retirement plan where you work.

ESTIMATED TAX PAYMENTS ...

4th Quarter Estimated Tax payments are due January 16th, 2006. Rules are complex. A penalty is charged if you fail to estimate and pay your taxes by the January 16th, 2006 due date. All taxpayers are required to pay all taxes due the United States Gov't by the aforementioned date. The Form 1040ES is used to make the estimated tax payment. There are no extensions granted for the payment of estimated taxes. Rules are varied and complex. Call for details ...

UNINTENDED TAXES ... ARE THESE YOUR SITUATIONS?

- **DIVORCE** – If you were divorced during 2006 you are deemed to be single for the entire year unless you have dependent children and meet some specific rules. Again tax rules are complex, contact this office for assistance.
- **SELL A SECOND HOME** – You must pay a capital gains tax on the sale of your 2nd home. There are no provisions to defer the taxation of the profits in current tax law. Call to see if this applies to you.
- **ADOPTION CREDITS** – This credit applies if during

the year, you completed the process of adopting a child. To be eligible for the credit your adopted child must be under the age of 18 at the time of adoption or be physically or mentally incapable of caring for himself. Call for details ...

- **Deceased husband / wife** – You can still file married filing joint for 2005 and possible head of household for 2005, 2006, 2007. Can save you major tax dollars.

EDUCATIONAL BENEFITS SAVES YOU \$\$\$

The IRS and our Federal Government have given all tax payers a gift. For those that seek to better themselves by attending a college or trade school to improve their skills. The programs are called the Hope and Lifetime Learning Credits.

The Hope Credit will give you a maximum credit of \$ 1,500.00 each year for two years.

The Lifetime Credit will allow you a maxi-



This could be you ...

imum credit of \$ 1,000.00 for any education after the initial two years.

To gain the credit, the rules are varied and you must keep accurate records. The tax credit is available to most tax payers based on your earned income.

“Federal and state governments and tax agencies are pulling out the stops in searching for needed tax revenues.”

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WE LISTEN AND ACT WITH HONESTY

We're on the Web
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Ascot Tax & Accounting was formed in 1986 to provide Accounting and Tax Services to the greater Phoenix Metro Plex. To that end, we are providers of quality services to both business and individuals.

We assist taxpayers when they have been contacted by Federal / State agencies to resolve tax issues relating to the collection of taxes, the filing of tax forms, and the auditing of those tax forms.

We serve the accounting community and work with clients relating to trusts, settlement of estates, and other matters that clients deem appropriate.

We strive to assist all clients with trust, service, and understanding.

A FEW CLOSING THOUGHTS

Just wanted to take this time to thank all of the clients of the ASCOT for allowing us to serve you. I am seeking to grow the business and I am seeking you're your assistance in this area.

If you have any of the following situations, we can assist you.

- Individual tax consultation designed to reduce your Federal and State tax burden.
- Family asset preservation strategies.
- Savings / Retirement savings analysis with recommendations.
- Education planning for children.
- Implications for singles considering marriage.
- Change jobs and want to roll over your 401 (k) / IRA
- Home purchase assistance.
- Business lease vs buy decisions.
- Life insurance needs analysis to determine what is required to support you and your family.

- Charitable gifting to reduce your taxes.
- Have stocks / mutual funds that are loosing money.
- Tax consequences of inheriting property.
- Home Office deductions for business use of your home.
- Will / Trust Issue – Estate Planning.
- Household budget assistance.



Satisfaction is our motto ...

We at the Ascot only want to serve you, the client ... let us know how we are doing ...