

Get a bigger tax refund this year

by Bend Weekly News Sources

Several changes in tax legislation took place in 2006, and consumers may not be aware of what is new for this filing season. As taxpayers receive their tax information, they should familiarize themselves with a few important provisions to make the most of their 2006 tax refund opportunities. Pennsylvania Institute of Certified Public Accountants (PICPA) outlines some of these changes below.

Recent court decisions have permitted a one-time refund of previously collected federal telephone excise taxes. Certain individuals who paid long- distance excise taxes after Feb. 28, 2003, and before Aug. 1, 2006, are eligible for a refund on their 2006 return. The maximum refund is \$60.

Charitable Contributions

All cash donation deductions made after Aug. 17, 2006 must be substantiated with a dated receipt. Donations of household items or clothing will only be deductible if they are in good condition or better.

Earned Income Tax Credits

The income limit for those claiming the earned income tax credit has increased. In addition, the maximum amount of allowable investment income was increased to \$2,800.

College Savings Plans

Earnings on contributions made to qualified prepaid tuition plans are now permanently exempt from federal taxes. They are also exempt from state taxes in Pennsylvania.

Direct Deposit Options

Taxpayers who choose to have their refunds directly deposited may now split their deposit into as many as three different accounts. Deposits can be made to accounts with valid routing and account numbers, including checking, savings, and IRA accounts.

These are only a few of the new or extended tax provisions that may affect 2006 tax returns. Qualifications for these and other tax credits and deductions can get complicated. Consumers should consult with a licensed, professional tax advisor, like a CPA, to help them navigate the requirements and determine how they can benefit from the new and existing tax provisions.

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