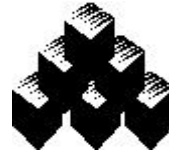


DECEMBER 2005

# THE WRIGHT NEWS



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## RECENT CHANGES MAY AFFECT YOUR 2005 TAXES

Some recent tax law changes are effective for the 2004 Tax Year. If these items affect you, be sure to get the details when you prepare your tax return early next year.

**Earned income amount:** The maximum amount of income you can earn and still get the credit is higher for 2006 than it is for 2005. You may be able to take the credit for 2006 if:

- You have more than one qualifying child and you earn less than \$36,348 (\$38,348 if married filing jointly),
- You have one qualifying child and you earn less than \$32,001 (\$34,001 if married filing jointly), or
- You do not have a qualifying child and you earn less than \$12,120 (\$14,120 if married filing jointly).

The maximum amount of ad-

justed gross income (AGI) you can have and still get the credit has also increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you.

**Investment income amount:** The maximum amount of investment income you can have in 2006 and still get the credit increases to \$2,800.

**Exemption Amount Increased:** The amount you can deduct for each exemption has increased from \$3,200 in 2005 to \$3,300 in 2006.

You lose all or part of the benefit of your exemptions if your adjusted gross income is above a certain amount. The amount at which the phase-out begins depends on your filing status. For 2006, the phase-out begins at:

- \$112,875 for married persons filing separately,

- \$150,500 for single individuals,
- \$188,150 for heads of household, and
- \$225,750 for married persons filing jointly or qualifying widow(er)s.

**Social Security and Medicare:** For 2006, the employer and employee will continue to pay: 6.2% each for social security tax (old-age, survivors, and disability insurance), and 1.45% each for Medicare tax (hospital insurance).

**Wage limits:** For social security tax, the maximum amount of 2006 wages subject to the tax has increased from \$90,000 to \$94,200. For Medicare tax, all covered 2006 wages are subject to the tax.

## Q & A FOR MEMBERS OF THE U.S. ARMED FORCES

**Q:** I am a member of the U.S. Armed Forces performing services in a combat zone. Is any part of my military pay for serving in this area excluded from gross income?

**A:** Yes, if you serve in a combat zone as an enlisted person or as a warrant officer (including commissioned warrant officers) for any part of a month, all your military pay received for military service that month is excluded from gross income. For commissioned officers, the monthly exclusion is capped at the highest enlisted

pay, plus any hostile fire or imminent danger pay received.



**Q:** My husband and I are both enlisted personnel serving in the U.S. Armed Forces in the combat zone. Are we each entitled to the income tax exclusion for pay?

**A:** Yes, each of you qualifies for the income tax exclusion for your respective military pay.

**Q:** I am an enlisted person serving in a combat zone. If I reenlist early while I am in the combat zone and receive my reenlistment bonus several months later when I am stationed outside the combat zone, is any part of my reenlistment bonus excluded from gross income?

**A:** Yes. The reenlistment bonus is excluded from gross income although received in a month that you were outside the zone.



**January 2**  
Instant Loans  
available.

**January 10**  
IRS early e-file  
begins

**January 13**  
IRS nationwide e-  
filing officially begins

**January 15**  
First IRS  
acknowledgements  
expected

**April 17**  
End of the tax  
season

## TAX SEASON 2005: DATES AND THINGS YOU SHOULD KNOW

The 2005 tax season is upon us. This year we have a variety of ways of making your tax filing process as painless as possible. There are some very important changes this year so let's get right to them.

Our firm participates in the IRS early e-filing program which starts on January 9th at midnight. The first day of the launch of the nationwide e-filing tax season is January 13th at midnight. The IRS are expected to accept returns on January 15th and should send acknowledgements back to transmitters from that point forward.

As a result, clients who elect to receive a loan against their tax return or an instant loan can receive an loan up to \$1000 beginning on January 2, 2005. This product only increases your bank product fee by \$39.00.

Our participating RAL bank, Santa Barbara Bank and Trust has increased the amount of their RAL's from \$5000.00 to \$7000.00. This means that more than 90% of our clients who selects a next day loan against their refund will get all of their proceeds in just one visit to our office.

You may save time by utilizing

our "fax your tax service". Simply download our taxpayers information sheet by visiting [www.wenyinc.com/publications](http://www.wenyinc.com/publications), complete it and fax it to us at 718-272-1154. Call us in two business hours and your return should be complete. You are welcome to fax over your documents as soon as you have received all of them. We cannot process your return until we receive all of your tax documents.

We still offer a variety of disbursement methods including direct deposit and ATM cards. If you do not have a bank account we recommend the ATM method.

## EXEMPTION AND STANDARD DEDUCTION AMOUNTS INCREASED

The amount you can deduct for each exemption has increased from \$3,200 in 2005 to \$3,300 in 2006.

You lose all or part of the benefit of your exemptions if your adjusted gross income is above a certain amount. The amount at which the phase-out begins depends on your filing status. For 2006, the phase-out begins at:

- \$112,875 for married persons filing separately,
- \$150,500 for individuals,
- \$188,150 for HOH, and

- \$225,750 for married persons filing jointly or qualifying widow(er)s.

The standard deduction for taxpayers who do not itemize deductions on Schedule A of Form 1040 is, in most cases, higher for 2006 than it was for 2005. The amount depends on your filing status, whether you are 65 or older or blind, and whether an exemption can be claimed for you by another taxpayer.

The basic standard deduction amounts for 2006 are:

- Head of household — \$7,550
- Married taxpayers filing jointly and qualifying widow(er)s \$10,300
- Married taxpayers filing separately — \$5,150
- Single — \$5,150

The standard deduction amount for an individual who may be claimed as a dependent by another taxpayer may not exceed the greater of \$850 or the sum of \$300 and the individual's earned income

## 2005 STANDARD MILEAGE RATES SET

For tax years beginning in 2006, the allowable deductions for the standard mileage rate are as follows:



**Business miles:** The standard mileage rate for the cost of operating your car increases to **44.5** cents a mile for all business miles driven.

**Charitable services:** The standard mileage rate allowed for use of your car when you use your car to provide charitable services to a charitable organization is **14** cents a mile.

**Charitable services — Hurricane Katrina relief services:** If you used your vehicle in giving services to a charitable organization to provide relief related to Hurricane Katrina, the standard mileage rate allowed for use of your car is **32** cents a mile.

**Medical reasons:** The standard mileage rate allowed for use of

your car for medical reasons is **18** cents a mile.

**Moving:** The standard mileage rate for determining moving expenses is **18** cents a mile.

We are here to help you determine your deductions. You can also download publications and documents regarding this matter by visiting our interactive website at [www.wenyinc.com](http://www.wenyinc.com). We have an direct link to the IRS website and its publications.



## IRS LAUNCHES ABUSIVE TRANSACTION SETTLEMENT INITIATIVE

Internal Revenue Service officials announced a broad-based, limited-in-time opportunity for taxpayers to come forward and settle an array of transactions the IRS considers abusive. Taxpayers who undertook these deals will have until January 23, 2006 to submit their request to the IRS.

The initiative, described in Announcement 2005-80, identifies 21 transactions eligible for the program. Consisting of both listed and non-listed transactions, they include a wide cluster of schemes involving funds used for employee benefits, charitable remainder trusts, offsetting foreign

currency option contracts, debt straddles, lease strips and certain abusive conservation easements. All eligible transactions carry the same settlement terms except the applicable penalty level. Further details on the 21 covered transactions are available in FS-2005-17.

Under the settlement terms, participants, both individuals and companies, will be required to pay 100 percent of the taxes owed, interest and, depending on the transaction, either a quarter or a half of the penalty the IRS will otherwise seek. There is penalty relief for transactions disclosed to the IRS or where the taxpayer got

a tax opinion from an independent tax advisor. Transaction costs paid by the taxpayer to do the deal, including professional and promoter fees, will be allowed.

This initiative reflects the outcome of a 30-month strategy to restore enforcement and deter abusive tax shelter deals. Intensified civil and criminal promoter investigations, targeted summons enforcement actions and litigation and a more robust oversight program of tax professionals have all played a key role in the effort to combat these transactions.

## DISBURSEMENT METHODS

Many of our clients are unaware of the vast ways in which they can receive the funds from their refund or loan proceeds. The following article is dedicated to them. The disbursement methods are as follows:

### Cashier's Check

If you selects this disbursement method, SBBT will transmit a check print authorization to us as soon as your RAL is approved or a state or federal refund is received. We will print it and you can pick it up from our office. This

option is only available to clients who select a bank product.

### SBBT Cash Card

The SBBT Cash card is one of our most popular and preferred disbursement methods. You can now have the proceeds of your RAL or RT loaded onto an SBBT Cash Card! This is a stored value card that works like an ATM/debit card. Each Cash Card comes in a sealed envelope that includes an access PIN and disclosures. You receive your Cash Card IN AN SEALED ENVELOPE. All of your

disbursements will be loaded on the same Cash Card so you never need to return to our office. This option is only available to clients who select a bank product.

### ACH Direct Deposit

If you have a bank account you can choose to have your refund, RAL or RT proceeds deposited directly into your account. Once this method is selected the IRS or SBBT will disburse your refund proceeds directly into your account. Out of state clients can get their funds via western union.

## NEW BANKRUPTCY LAW CHANGES DEBTORS' RESPONSIBILITIES

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) amends the U.S. Bankruptcy Code by adding new responsibilities for debtors.

In general, the new law requires that debtors comply with their tax-filing responsibilities, make available previously-filed tax returns, in many cases, and seek credit counseling services. Most BAPCPA provisions apply to cases filed on or after Oct. 17, 2005. Under the new law, if debtors fail to file a return that becomes due after the date of their bankruptcy

petition, or fail to file an extension, the IRS may request the Court to order a conversion (change from Chapter 7 to Chapter 11 or from Chapter 11 to Chapter 13, for example) or dismissal of the case. Conversion or dismissal may also be ordered if a Chapter 11 debtor fails to timely pay tax obligations owed after the date of the bankruptcy petition.

In order to have their plan confirmed, Chapter 13 debtors must also file all tax returns with the IRS for the four-year period before the bankruptcy petition. The

debtor must establish filing by the first meeting of creditors.

Seven days before the first meeting of creditors, debtors must provide trustees a copy of their most recently filed federal tax return or a transcript of the return. Similarly, copies of amendments to such returns, and any past due returns filed while the case is pending, must also be filed with the court if requested. If the returns are not filed, a Chapter 7, 11 or 13 discharge will not be granted, or confirmed.



*Did you know that you can get the answers to many of your questions off of our website? You can download forms, and even check the status of your federal or state tax return. You can also check the status of your bank product. Simply log onto [www.wenyinc.com](http://www.wenyinc.com) and your questions will be answered.*





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## Numbers You Should Have



Our Office 718-272-1138  
Our Fax 718-272-1154  
Our email questions@wenyinc.com

Business hours are from 10:00 AM to 8:00 PM Monday through Saturday during tax season, and 10:00 AM to 5:00 PM Monday through Friday during the off-season.

<u>AGENCY</u>	<u>PHONE #</u>	<u>WEBSITE</u>
Internal Revenue Service	(800) 829-1040	www.irs.ustreas.gov
IRS Refund Hotline	(800) 829-4477	www.irs.ustreas.gov
NYS Electronic Filing Filers	(800) 353-0708	www.tax.state.nys.us
NYS Customer Service	(800) 443-3200	www.tax.state.nys.us
Santa Barbara Bank & Trust	(800) 779-7228	www.sbbtral.com

It is a good rule of thumb to bet that during tax season, most of these numbers will be busy. If you are calling during this period of time, you should call early in the morning, and as late in the evening as possible to avoid peak hours. You should allocate yourself at least thirty minutes, because there will be an eventual waiting period.

**We're on the web!**

Visit us at  
[www.wenyinc.com](http://www.wenyinc.com)