

***New income tax legislation which may affect
your individual income***

- **Sales and Use Tax** – If you make out-of-state purchases, you are required to pay California sales tax to the Board of Equalization. Alternatively, the tax can be paid with your individual California return. The Board of Equalization estimates that the tax is under reported by one billion dollars annually. Please note that this issue is going to be reviewed closely by the Board of Equalization and the Franchise tax Board. If you have out-of-state purchases, please write the total amount next to question #29 of your tax organizer.
- **Problems with tax agencies ignoring Power of Attorney** – If a representative from the IRS contacts you directly in regard to an audit, you should first ask if they have contacted our office. If they have not, recommend that they do so and contact our office so that we can assist with any items and/or research that is needed.
- **New Law** – The 2007 Small Business Act expands the “kiddie tax rules” to apply to children age 18, and children over age 18 but under age 24 who are full-time students – if their earned income doesn’t exceed one-half of the amount of their support.
- **For Restaurateurs** – General business credits rarely can be used to reduce income tax to below alternative minimum tax. However, beginning in 2007 the work opportunity credit and the FICA tip credit can be used to reduce AMT.
- **New Law** – The 2007 Small Business Act increased the amount of time the IRS has to notify an individual taxpayer of the basis of a tax liability. The time is now extended from 18 months to 36 months. The accrual of interest and penalties is suspended starting 36 months after the filing of the tax return if IRS has not sent the taxpayer a notice specifically stating the taxpayer’s liability and the basis for the liability.
- **Expensing Capital Purchases (179 Election)** – The \$100,000 expense limit and \$400,000 purchase limitation amounts are increased to \$125,000 and \$500,000, respectively, for tax years 2007-2010. These amounts will be indexed for inflation in the years beginning after 2007 and before 2011.