

NEWSLETTER

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Need to Change Your Federal Tax Withholding?

The IRS Has an On-Line Calculator That Can Help

Did you have too little or too much federal tax withheld from your pay in 2006 – owing money or getting a large refund when you filed your tax return? Have you recently experienced a lifestyle change such as marriage, divorce, new child, home purchase or retirement? Did you start a new job? If any of these situations apply, you may want to adjust your federal tax withholding with your employer. The withholding calculator, on the IRS Web site at IRS.gov can help you figure the correct amount of federal withholding and provide information you can use to complete a new Form W-4, Employee's Withholding Allowance Certificate.

Before you begin, you need to have a few items handy:

1. Your most recent pay stubs.
2. Your most recent federal income tax return.

Here are some tips for using the withholding calculator:

- ⇒ Fill in all information that applies to your situation.
- ⇒ Estimate when necessary. Remember, the results are only as accurate as the information you input.
- ⇒ Check out the information links embedded in the program whenever you have a question.
- ⇒ Print out the final screen that summarizes your input and the results. Use it to complete a new Form W-4 (if necessary) and give the completed W-4 to your employer. Keep the print of the final screen and a copy of your new W-4 with your tax records.

For many people, the withholding calculator is a great tool that can simplify the process of determining your withholding. Of course, if you have any questions, you can always contact us for help.

Links: IRS Withholding Calculator: <http://www.irs.gov/individuals/page/0,,id=14806,00.html>

IRS Publication 919: <http://www.irs.gov/pub/irs-pdf/p919.pdf>

Estimated Payments

Do you need to make estimated tax payments? Have you made them? If not, now's the time to catch up. There's only 2 more payment dates left – September 15th 2007 and January 15th 2008. Don't forget to put your social security number on your check, and the words "2007 1040 estimated payment" so the IRS or DRS will know how to apply the money even if the check gets separated from the coupon. Lost your coupons, or not sure if your payment amount is correct? Give us a call and we'll be glad to help.

Is Your Identity at Risk?

The Connecticut Department of Revenue Services (DRS) has begun notifying affected taxpayers about the theft of an agency laptop computer containing information on approximately 106,000 taxpayers. The laptop contained taxpayer names and Social Security Numbers. The stolen laptop was password-protected. It is highly unlikely that someone could access the data without specialized knowledge. However, due to the nature of the information on the laptop, DRS is sending letters to taxpayers who may be impacted. The agency has no information to date that any of the data has been accessed. All actions being undertaken by DRS are preventative.

DRS began sending notification letters to affected taxpayers on Wednesday, August 28. The letters are on the agency's letterhead, contain the last four digits of the taxpayer's Social Security number, and list the special phone number for the DRS ID Protection line: (888) 407-9994. A second letter with the taxpayer's activation code for a year of free credit monitoring service from Debix began mailing over the Labor Day weekend.

To check to see if your Social Security number was on the stolen laptop, go to:

<https://www.protectid.drs.ct.gov:44444/>

Can You Take a Home Office Deduction?

If you plan to run your small business out of your home you may be tempted to "write-off" many of your household expenses. But how do you know what is deductible and what is not? Generally, expenses related to the rent, purchase, maintenance and repair of a personal residence are not deductible. However, if you use part of your home for business purposes you may be able to take a home office deduction. Expenses that can be deducted include the business portion of real estate taxes, mortgage interest, rent, utilities, insurance, painting, repairs and depreciation.

If you think you qualify and would like to claim a home office deduction, please be sure to give us the total for the year of these expenses, as well as the total square feet of your home and the total square feet of your home office. In addition, in order to calculate depreciation we will need the total cost of your home and the purchase date.

In order to claim a business deduction, you must use part of your home:

- ◆ Exclusively and regularly as your principal place of business, as a place to meet or deal with patients, clients or customers in the normal course of your business, or in connection with your trade or business where there is a separate structure not attached to the home; or
- ◆ On a regular basis for certain storage use such as inventory or product samples, as rental property, or as a home daycare facility.

In addition, if you work as an employee you can claim this deduction only if the regular and exclusive business use of the home is for the convenience of your employer and the portion of the home is not rented by the employer.

These requirements are discussed in greater detail in Publication 587, Business Use of Your Home:

<http://www.irs.gov/pub/irs-pdf/p587.pdf>