



Client NEWSLETTER

July 2006

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2006

Mileage Rates



Business	44.5 cents/mile
Medical/Moving	18.0 cents/mile
Charity	14.0 cents/mile
(Hurricane Katrina relief)	32.0 cents/mile



IMPORTANT DATES

Individual federal/state estimated tax payments due:

**September 15, 2006,
January 15, 2007, and
April 15, 2007**

Extended individual tax returns due:

October 16, 2006

Extended corporate tax returns due:

September 15, 2006

Vermont Homeowner/Renter Rebate Applications due:

December 1, 2006

Vermont Education Property Tax Payment Application due:

December 1, 2006

THE ALTERNATIVE MINIMUM TAX PROBLEM



The Alternative Minimum Tax (AMT) was created in the 1960s for the purpose of subjecting high-income individuals and corporations to a minimum amount of tax. It is not indexed for inflation. By 2010 it is estimated that:



- ⇒ One-third of all individual taxpayers will be subject to AMT.
- ⇒ 51% of AMT payers will have income less than \$100,000
- ⇒ Almost 100% of couples with two children and income between \$75-100,000 will pay AMT.

How can AMT be reduced or eliminated?

- 1) Beware of tax credits. AMT does not allow tax credits and taking too many may actually result in an increased tax.
- 2) Beware of exercising large amounts of Incentive Stock Options. For regular tax purposes, ISOs are not taxable until the stock is sold. For AMT purposes, ISOs are taxable when they are exercised, regardless of when the sale occurs. It may be wise to exercise and sell the stock in the same year.
- 3) Beware of using home equity loans to consolidate debt or pay for education. This may result in AMT. Instead, use home equity loans to acquire, construct, or improve a residence.
- 4) Beware of miscellaneous 2% itemized deductions (unreimbursed employee expenses, tax preparation fees, investment expenses, etc.). They are disallowed for calculation of the AMT. Try accelerating these types of deductions into a non-AMT year (i.e. a year when income is lower).

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Vermont Rooms Tax

Considering purchasing a vacation home and earning some extra cash by periodically renting it out? Or perhaps you already do. Be careful! You may owe Vermont Rooms Tax on the rental income.

Under federal law, if a vacation home is rented for less than 15 days, regardless of personal use, the income is not taxable and the mortgage interest and property taxes are deductible on Schedule A as a secondary residence.

If a vacation home is rented for greater than 15 days, regardless of personal use, the income is taxable. When used personally for more than 14 days, deductions become limited.

The Vermont Rooms tax guidelines are similar. In a calendar year, if the home is rented for 15 days or more, the tax is due. If the home is rented more than 30 consecutive days to the same guest, the first 30 days are taxable and any additional days are exempt. However, if there is a lease agreement in place, the entire rental period is exempt from tax.

The following chart is a general guideline:

<u>Days Used For:</u>		<u>Federal Tax Treatment</u>		<u>Vermont Rooms Tax Due?</u>
<u>Personal Use</u>	<u>Rental</u>	<u>Income</u>	<u>Expenses</u>	
< 14	< 15	Not Taxable	Sch. A	No
> 14	< 15	Not Taxable	Sch. A	No
< 14	> 15	Taxable	Deductible	Yes
> 14	> 15	Taxable	Limited	Yes

In addition, be aware that Williston and Stratton have a Local Option Rooms Tax administered by the State. Likewise, Burlington and Rutland have a City Charter Rooms Tax administered by each City.

UNCLAIMED PROPERTY

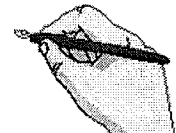
Unclaimed property has become a hot issue in Vermont recently. Efforts have been stepped-up to ensure that all unclaimed property is reported to the State Treasurer's Office in a timely manner. Any holder of property not reported to the State is subject to a penalty of up to \$10 per day. In addition, any property not relinquished to the State may carry a penalty of up to 25% of its value.

The Unclaimed Property Law applies to all intangible personal assets and contents of safe deposit boxes that are owed to an individual or business. The Law does not apply to land, real estate, or any tangible property, with the exception of safe deposit box items.

The two most common types of unclaimed property are wages, or payroll distributions, and uncashed accounts payable checks. All wages due and unclaimed by an employee are presumed abandoned at the end of two years from the time the wages were payable. Accounts payable checks are presumed abandoned at the end of three years from the time the expense became payable.

The holder of these types of property must relinquish the property and a report to the State Treasurer before May 1st of each year. However, up to 120 days prior to filing the report, the holder may try to contact the owner of the property by written notice (due diligence letter). This may prevent the property from being presumed abandoned.

To obtain more information, contact:
 Vermont State Treasurer's Office
 Unclaimed Property Division
 109 State Street
 Montpelier, VT 05609-6200
 802-828-2407 or 800-642-3191 (in-state long distance)



To download the Reporting Manual, forms, cover letter, and a sample due diligence letter go to:
www.vermonttreasurer.gov/unclaimed/index.html

AMT (continued from page 1)

- 5) Ask your employer to reimburse you for job-related expenses under an accountable plan. This type of plan requires you to provide documentation for mileage and other expenses incurred, but the resulting reimbursement is not added into taxable wages. With a nonaccountable plan, where the employer pays a flat rate every so often (usually monthly) and no documentation is required, two AMT problems are created. One, taxable income is increased. Two, the deduction is disallowed in computing the tax.
- 6) Swap tax-exempt private activity bonds, which are subject to AMT, for non-AMT tax-exempt bonds.

These ideas are general and may not work for all situations. Be sure to contact us before taking action so that we may ensure positive results.