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Criser, Gough, & Parrish

The Advisor

“Working together for you.”

New Deduction to Benefit Many 2007 Home Buyers

A new federal tax deduction will allow many qualified home buyers to write-off the premiums they pay for private or government mortgage insurance on loans that close this year.

Under the Mortgage Insurance Fairness Act, signed by President Bush in December, private **mortgage insurance premiums are fully tax deductible for borrowers who buy or refinance a home this year**, if their adjusted gross income is \$100,000 or less. Families with incomes between \$100,000 and \$109,000 will be eligible for a reduced deduction.

Mortgage insurance qualifies for the deduction if it is provided by the Veterans Administration, the Federal Housing Administration, the Rural Housing Administration, or by private mortgage insurance companies.

(Source: Small Business Tax News, 7/07)

Did you know...

The IRS currently taxes as income mortgage debt forgiveness extended in a loan workout or a pre-foreclosure sale, although the borrower does not pocket anything.

The Safety of Your Personal Information

We at Criser, Gough & Parrish respect your privacy and we are very concerned about the safety of your personal information. I have personally seen cases of ID theft where the social security number of a client was used, unknowingly, by an illegal alien. We uncovered the fraud when the IRS couldn't match the income. I actually saw the fraudulent driver's license using my client's name but having another person's picture. It looked real to me and scared me.

Please read the attached article and apply the tips and techniques to protect you and your family. Remember, we are your trusted advisors and we are here to give you advice.

- CALL US if you get a call on that great investment. (We want you to be successful and you might as well know any tax consequences.) Any respectable dealer will want you to talk to your tax advisor.
- CALL US if the IRS or Kansas Department of Revenue calls you, especially out the blue. Be polite, but don't talk to them until we can advise you. Simply take a number and tell them your accountants will call immediately to solve their problem. Let us do our job.
- CALL US if someone is asking for personal information and you're not 100% sure why.
- CALL US, CALL US, please CALL US because we work for you and to protect you.

Steve Criser, CPA

Criser, Gough & Parrish, LLC

9415 E. Harry, Ste. 602

Wichita, KS 67207

Phone: (316) 685-1040

Fax: (316) 687-5590

Website: www.crisergoughparrish.com

Identity Theft, Part 2: How Could ID Theft Impact Your Tax Records? What If You Are a Victim of ID Theft?

How Could Identity Theft Impact Your Tax Records?

Individuals may use your Social Security Number (SSN) to get a job. That person's employer would report the W-2 wages earned using your SSN to IRS. This may give the appearance that you did not report all of your income on your return.

When you subsequently file your tax return the IRS will believe you already filed and received a refund, and the return you actually submitted is a second copy or duplicate.

Be alert to possible identity theft if you receive an IRS notice or letter or letter that states:

- More than one tax return for you was filed, or
- IRS records indicate you received wages from an employer unknown to you.

What Should You Do If Your Tax Records Are Affected by ID Theft?

If you receive a notice from IRS respond immediately. If you believe someone may have used your SSN fraudulently, **please notify the IRS immediately** by responding to the name and number printed on the notice or letter.

Remember, the IRS does not initiate contact with taxpayers via email, and the IRS does not request detailed personal information through email.

- If you receive an email claiming to be from the IRS, confirm the contact you have received is from the IRS by calling 1-800-829-1040.
- Do not open attachments or click on the links found within the bogus email.

(Source: Internal Revenue Service)

What If You Are a Victim of Identity Theft?

As soon as you suspect ID Theft, place a “Fraud Alert” on your credit reports, and review the reports carefully.

The alert tells creditors to follow certain procedures before they open new accounts in your name or make changes to your existing accounts. The three nationwide consumer reporting companies have toll-free number for placing an initial 90-day fraud alert; a call to one company is sufficient:

- **Equifax:** 1-800-525-6285
- **Experian:** 1-888-EXPERIAN (397-3742)
- **TransUnion:** 1-800-680-7289

Placing a fraud alert entitles you to free copies of your credit reports. Look for inquiries from companies you haven't contacted, accounts you didn't open, and debts on your accounts that you can't explain.

Close accounts. Close any accounts that have been tampered with or established fraudulently.

- Call the security or fraud departments of each company where an account was opened or changed without your okay. Follow up in writing, with copies of supporting documents.
- Use the ID Theft Affidavit at www.ftc.gov/idtheft to support your written statement.
- Ask for verification that the disputed account has been closed and the fraudulent debts discharged.
- Keep copies of documents and records of your conversations about the theft.

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File a police report. File a report with law enforcement officials to help you with creditors who may want proof of the crime.

Report the theft to the Federal Trade Commission. Your report helps law enforcement officials across the country in their investigations.

- Online: www.ftc.gov/idtheft
- By phone: 1-877-IDTHEFT (438-4338) or TTY, 1-866-653-4261
- By mail: Identity Theft Clearinghouse, Federal Trade Commission, Washington DC 20580

(Source: Federal Trade Commission)

Checklist for Victims - If you become a victim of identity theft you should do the following:

- File a police report.
- Contact your banker.
- Notify credit bureau fraud units.
- Request that credit bureaus identify accounts closed due to fraud as “closed at consumer’s request.”
- Request free credit reports (fraud victims are entitled to two free credit reports from each of the credit bureaus).
- Report check theft to check verification companies.
- Check post office for unauthorized change of address requests.
- Follow-up contacts with a letter and keep copies of all correspondence.

(Source: America’s Community Bankers)

IRS Warns Taxpayers of New Email Scams

The latest versions of the email scams are intended to fool people into believing they are under investigation by the agency’s Criminal Investigation division.

The email seeks to entice people to click on a link or open an attachment to learn more information about the complaint against them. The email link and attachment is a Trojan Horse that can take over the person’s computer hard drive and allow someone to have remote access to the computer. Do **not** click the link in the email or open the attachment.

Similar email variations suggest a customer has filed a complaint against a company and the IRS can act as an arbitrator. The latest versions appear aimed at business taxpayers as well as individual taxpayers.

The IRS does **not** send out unsolicited emails or ask for detailed personal and financial information. The IRS **never** asks people for the PIN numbers, passwords or similar secret access information for their credit card, bank, or other financial accounts.

Forward questionable emails claiming to come from the IRS to phishing@irs.gov (the instructions may be found on irs.gov by entering the term “phishing” in the search box).

(Source: IRS Newswire, IR-2007-109, 5/31/07)

Pursuant to federal regulations imposed on practitioners who render tax advice (“Circular 230”), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

Major Kiddie Tax Changes

The Small Business and Work Opportunity Tax Act of 2007 extends the reach of the “kiddie tax” by raising the age limit to include (1) all children under age 19 (previously under age 18) and (2) students under age 24. Both changes are effective for tax years beginning after May 25, 2007.

The actual computation of the kiddie tax remains the same. The net unearned income of the child (for 2007, generally unearned income over \$1,700) is taxed at the parents’ marginal tax rates, if the rates are higher than the child’s tax rates.

A child who is permanently and totally disabled will not be excluded from the age test for kiddie tax purposes.

If the earned income of a student over age 17 exceeds half of the student’s support, the kiddie tax no longer applies. Scholarships are not counted in the support test for this purpose.

(Source: CCH Tax Briefing: Small Business & Work Opportunity Tax Act of 2007 Special Report)

Deduct Tuition As a Medical Expense

You can include in medical expenses fees you pay on a doctor’s recommendation for a child’s tutoring by a teacher who is specially trained and qualified to work with children who have learning disabilities caused by mental or physical impairments, including nervous system disorders.

If your child attends a special school—say, for the learning-disabled—the entire cost (tuition, meals, and lodging) is deductible as a medical expense.

A doctor must recommend that the child attend the school. Overcoming the learning disabilities must be a principal reason for attending the school, and any ordinary education received must be incidental to the special education provided.

Special education includes: teaching Braille to a visually impaired person; teaching lip reading to a hearing-impaired person; or giving remedial language training to correct a condition caused by a birth defect.

(Source: The Tax Strategist, 5/07 Special Issue & IRS Publication 502)

Crisher, Gough & Parrish, LLC

Penny Rader, Editor

9415 E. Harry, Ste. 602

Wichita, KS 67207

Return Service Requested

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