

A+ Accounting Services, Inc.

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Dear Prospective Client,

Every quarter we report to our clients the latest changes in tax laws and government procedures that may affect their business. This quarterly letter also informs our clients of changes at A+ Accounting, like the introduction of our website and the opening of our new office in Cedar Rapids.

Some examples from the most recent client letter:

No more support test for claiming a dependent. This means that if a couple has too high an income to take the dependency deduction it could be possible that an older sibling living at home filing a tax return could claim the dependent.

IRS is really starting to hammer on **bad tax preparers** and it's about time! See article on Tax Prep attached.

Gift exclusion is increased to \$12,000 per person.

Capital Gains rate of 15% will remain in effect through 2010. It was scheduled to revert to the 20% level in 2009.

Savers credit has been made permanent. This was scheduled to expire 12/31/06. Those with income under \$25,000 (single) and \$50,000 (married) that put money away in a retirement account are eligible.

SIMPLE IRA contribution: You have only one month after year end to make current year contributions to a SIMPLE IRA, unlike a Traditional IRA where you have until 4/15.

Most Audited 2006 tax returns:

The IRS will continue random line by line audits of individual tax returns through 2008. They also continue to focus on no shareholder wage S Corps and under reporting of income on Schedule C.

Possibilities for 2007 and beyond:

A simplified Home Office Deduction is being considered, possibly certain \$ per square foot used.

Sincerely,

Valorie Witte, CPA