

Prince Accounting Service, Inc.

2001 Year End Tax Update



Visit our website

See our new website at www.1040.com/princeaccounting. You can get latest tax news, download forms, see our newsletter online, and even **file your self-prepared tax return electronically!** Log on today. ●

New Pre-scheduled Appointments

New this year, your tax-preparation appointment will be pre-scheduled by our office. This is a tentative appointment. If it is not convenient for you, just call us and we will reschedule your appointment for another day and/or time. If the appointment is good for you, please call us to confirm it. There will be no waiting for a return call to set up your appointment unless you want to reschedule. This will help eliminate "phone tag" and waiting for return calls; keep appointments all in the same area; and help keep costs down. There are other reasons why we are switching to pre-scheduling, which I will mention later in this newsletter. ●

New Quick Refunds!

We now offer several new products this year that complement our electronic filing product. All these products are available to you with no out-of-pocket costs.

- For clients needing their refund as soon as possible, we will now offer refund loans (have your money in as little as 2 days). This refund loan can



Mailman didn't bring you a tax "rebate" this year? You may still be able to get that money added to your 2001 refund. See details starting on page 2.

be issued in check form from our office or direct deposited into your bank account.

- A direct deposit account where we can automatically deduct the fees from your refund, then issue you a check for the remainder of the refund, or the balance can be transferred into your bank account.

- For those clients who don't have a bank account but would like the speed of direct deposit, we now offer a product where your refund is direct deposited into our participating bank, then we issue you a check right away. ●

Future Tax Changes

Presented here are a few of the future tax changes that may have a significant impact. However, these could be changed by Congress at any time, so check with your tax preparer before relying on this information.

Marriage Tax Penalty

There is marriage tax penalty relief in the future: starting in 2005 to be exact. The standard deduction (for those who don't itemize) will begin to increase in 2005 until it is double that of the single person in 2009. The 15% tax bracket will begin to increase in 2005 until it is double the size of the single 15% tax bracket in 2008. This helps any married couple currently in the 28% or higher tax bracket. If you itemize your deductions and are only in the 15% tax bracket now, you don't have any "marriage penalty".

Sunset Provision

Due to the Congressional Budget Act of 1974, a tax act of this size has to have a certain percentage to pass. It was rightfully



Don't stand around in a tax office, call for an appointment and we'll come to you!

Company Information

As many of you know, Prince Accounting Service is an individually owned company. I operate Prince Accounting Service out of my home on a part-time basis. This is one of the reasons I am able to offer each and every client exceptional, personal service at a cost which is usually lower than your local tax chain office. Since this is only a part-time effort, I have a full-time occupation. I mention this because I changed full-time jobs this year. My new position involves a small amount of out-of-town travel. It is possible that I will have to reschedule appointments if I have to leave town during tax season. This is the main reason I have switched to pre-scheduling appointments. I will be able to schedule my available time as efficiently as possible and leave days

and times open to allow for possible rescheduling. Thanks in advance for your understanding.●

Tax "Rebates"

Many of you received \$300 or \$600 from the IRS sometime late in the year. Those who didn't aren't necessarily out in the cold. There are many reasons why you didn't get the entire "rebate", or none at all. What you really need to know is that this money was not a "rebate", but an advance. But since the IRS doesn't know the data from your 2001 return yet, they had to use the 2000 tax forms to determine who was eligible for the "rebate". For anyone who didn't get the full \$300/\$600, we can determine if you are eligible for any more money from the IRS. It is very important that we know how much your "rebate" was so we can determine if you are eligible for any more money. Remember, your "rebate" may have been reduced or eliminated based upon debts like back taxes and child support. If this is the case, you did actually receive the "rebate", but it went to pay these debts. Be sure to have this information available during your appointment.●

Child Tax Credit

The child tax credit of \$500 per dependent child has been increased to \$600 for this year. This will increase to \$700 in 2005, \$800 in 2009, and a full \$1000 in 2010.●

Changes for 2002

Education IRA (Renamed to Coverdell Education Savings Account)

Starting in 2002, the contribution limit to Education Savings Accounts will increase from \$500 per beneficiary to \$2000 per. This makes this account a much more attractive plan for saving for college. Also, the date the contribution must be made by is changing from December 31st to April 15th. This allows you to wait until you are sure you can make the contribution before doing so (this account is limited to those in a certain income level). The earnings withdrawn from the education account are tax free if used for tuition, books, fees, room and board, uniforms, computer technology, and Internet service (as long as used by the student during the school year). This now includes private primary and secondary school as well as college.●

Student Loan Interest

Currently, student loan interest is only deductible for the first 60 months of the loan. Starting next year, there is no time limit on the loan. The interest will be deductible for as long as the loan has a balance and you meet the income limitations.●

Education Expense Deduction

Starting in 2002, thru 2005, you can choose to deduct up to

\$3000 (\$4000 for 2004 & 2005) from income instead of taking the education credits. This is a deduction before Adjusted Gross Income is determined and can benefit other areas of the tax return. Taxpayers claimed as dependents and single taxpayers with AGI over \$65,000 (\$130,000 for married filing joint) are not eligible for this deduction.●

IRA Limits Increasing

The dollar amount of IRA contributions are increasing next year. You may contribute up to \$3000 to you IRA for years 2002-2004, \$4000 for year 2005-2007, and \$5000 for years 2008 and after. The \$5000 will be indexed for inflation after 2008. If you're over age 50, you are eligible to contribute an additional \$500 per year (\$1000 per year in 2006 and after) as a "catch-up" contribution.●

Credit for Pension Contributions

For low-income taxpayers, you can now get a non-refundable tax credit for contributions made to a pension program. A credit of up to 50% of the contributions (up to \$2000) to IRAs and elective deferred pension programs (401k, etc.) can be deducted directly from your tax bill if your income is under \$25,000 for singles (\$37,500 - Head of Household, \$50,000 Married filing joint). Students, dependents and persons who have made withdrawals from pension plans in the last 2 years are not eligible.●

feared that this act would not pass with the required number of votes, so a sunset provision had to be written into it to get around this law. This means that this entire law will automatically repeal after 2010 unless made permanent by a future congress. Beginning in 2011, all provisions of this law will be repealed and revert back to the way it was last year. It is expected that many items in this law will be made permanent by then, and others will be allowed to expire.

Many Other Changes

There are many other changes in this act. Things like estate and gift taxes, pensions, corporate taxes, Alternative Minimum Tax, inheritances, etc. that are beyond the scope of this newsletter. If you have questions about any of these items, please call.

Don't forget to visit our website at www.1040.com/princeaccounting

Prince Accounting Service, Inc.

Prince Accounting Service has been offering personal and business services since 1989. We specialize in offering an outstanding level of personal service at a reasonable price. An excellent example of this is our In Home Tax Preparation. For about the same price as the "major" tax preparation firms (and in many cases, lower) you can have your taxes prepared in the comfort of your own home. No more "battling the weather" to wait in line at the local tax preparation office. Also, no more having to go back to the office because you left that all-important paper at home.

Other Services:

- Tax planning
- Payroll processing
- Business taxes
- Year-round service
- Computer support

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Lower Income Tax Rates

Beginning in 2002, there will be a new 10% tax rate for the first \$6,000 of income (\$12,000 Married filing joint, \$10,000 Head of Household). This is where the tax "rebate" came from, getting it early, instead of waiting until tax time. For 2009 and later, the first \$7,000 of single (\$14,000 MFJ) will be taxed at 10%. The other tax rates (except 15%) of 28%, 31%, 36%, and 39.6% will decrease 1% every even year (2002, 2004, 2006) until they reach 25%, 28%, 33%, and 36% in 2006.●

Current News

The government is now projecting budget deficits through at least 2005. If the finances get too bad, this may cause some of the future tax breaks to be delayed or repealed altogether. It is always a good idea to be sure a future tax break is actually going to happen before relying on it. We keep informed of the latest information out of Washington, so if you know of a tax item that may impact you down the road, call us beforehand to be sure it is still going to be there for you.●

Free Electronic Filing & Referral Bonus

Prince Accounting Service is ready to tackle all your income tax needs. We will come to your home and prepare your income taxes on our laptop computers. After we're finished, we bring the paperwork and the computer files back to the office for printing, review, and assembly. You will receive a professional return package, complete with copies and envelopes to send to the required government agencies. We are available year-round to answer questions.

Get Your Return Prepared for Free!!!

That's right! Don't forget about our new client referral program. Have your friends and relatives call us (*must be first time customers of Prince Accounting Service*), and we will give you a 20% rebate off the price of your return (or 30% of their price, whichever is less) for **each new** client you refer. Call today! (586)775-7330.●

VALUABLE COUPON

Mention this coupon to receive electronic filing absolutely free! Call Prince Accounting Service at (586)775-7330 for your appointment.

Expires 3/31/02