



May 15, 2006

Tax Pro News

Volume 2, Number 3

2006 Tax Act Special!

In This Issue

1. The "Woo-Woo" Changes
2. Alternative Minimum Tax Changes
3. The hidden tax increase and the not so hot Roth rules
4. The Production "Destruction" Continued



May, June & July seminar schedule:

May 22-
Accounting
Ames, Iowa (641-782-2401)

June 2-
Accounting
Ft. Collins, Colorado ([Register Here](#))

June 5-
Accounting

On May 17, 2006 President Bush signed the *Tax Increase and Prevention Reconciliation Act of 2005* (TIPRA). The Act holds many changes, but only a few changes affect most taxpayers. Our discussion will focus only on those 5 changes that affect the majority of individuals or businesses in America.

The "Woo-Woo" Changes (Not Much Here!)

- Super Section 179 has been extended through 2009, but not increased over the inflation adjusted \$100,000 base as originally expected.
- Lower capital gain rates have been extended for 2 more years, through 2010, and capital gains have been extended to self-created musical compositions or musical copyrights.

Rates for 2006 are still:

If net capital gain is from:	Then maximum capital gains rate is:
Collectibles	28%
Gain on Qualified Small Business Stock Equal to the Section 1202 Exclusion	28%
Un-recaptured Section 1250 Gain	25%
Other gain when the regular tax rate is 25% or higher	15%
Other gain when the regular tax rate is lower than 25%	5%

[Back to top](#)

Lamar, Colorado (800-578-4451)

**June 9-
Accounting
Coeur D'Alene, Idaho (208-344-
6261)**

**June 15-16-
Technology Post
Falls, Idaho (888-208-4272)**

**June 23-
Technology
Lincoln, Nebraska (308-995-8223)**

**June 27-
Accounting
Fargo, ND (701-255-6502)**

**July 12-Technology
Oklahoma City, Oklahoma (405-
677-2151)**

**July 28-August 4-Alaska Cruise
CPE-SOLD OUT!**

More Information is available at:
[http://www.taxspeaker.com/
calendar.asp](http://www.taxspeaker.com/calendar.asp)

Fall Seminars to Look For:

**Aug. 10-Farm/Ranch-
Fargo, ND** (Sponsored by
NDSA) (701-255-6502)

**Aug. 11-Technology-Fargo,
ND** (Sponsored by NDSA)
(701-255-6502)

**Aug. 16-Technology-
Scranton, PA** (Sponsored
by PSPA) (570-347-3761)

**Sept. 6-1120/1120S/1065/
LLC Update-Indianapolis,
IN ([Register Here](#))**

Alternative Minimum Tax

Do you ever feel like the guy that gets pardoned by the governor for 1 year? Well our Congressional hacks continue to "pardon" American taxpayers, rather than fix the mess they created.

Prior to the change, the Urban-Brookings Tax Policy Center predicted that over 20% of Americans would pay AMT in 2006, including such wealthy folks as individuals making more than \$60,000 and having 4 kids!

Congress continues to politicize the mess the lizards created, rather than providing a permanent solution, so for 2006 we got a "pardon" in the form of expanded AMT brackets. And non-refundable personal credits received a 1-year extension to apply against the AMT.

	<i>2005 Exemption</i>	<i>Old 2006 Exemption</i>	<i>New 2006 Exemption</i>
Married, Joint	\$58,000	\$45,000	\$62,550
Single	\$40,250	\$33,750	\$42,500

[Back to top](#)

Sept. 11-Technology-Ft
Collins, CO([Register
Here](#))

Sept. 12-1120/1120S/1065/
LLC Update-Ft **Collins, CO**
([Register Here](#))

Sept. 13-Technology-
Garden City, KS([Register
Here](#))

Sept.14-Farm/Ranch-
Garden City, KS([Register
Here](#))

Sept. 15-1120/1120S/1065/
LLC Update-**Cheyenne,
WY** (Sponsored by WAPA)
(370-672-2721)

Sept. 16-Accounting-
Cheyenne, WY (Sponsored
by WAPA) (370-672-2721)

Sept. 19-20
1120/1120S/1065/LLC In
Depth-**Oklahoma City**
(Sponsored by OSA) (405-
677-2151)

Sept. 21-1120/1120S/1065/
LLC Update-**Detroit Lakes,
MN** (Sponsored by
MNCPA) (952-831-2707)

Sept. 22-Technology-
Detroit Lakes, MN
(Sponsored by MNCPA)
(952-831-2707)

Sept. 25-26-Accounting-
Bloomington, IL

The Hidden Tax Increase

This change is getting no press coverage, but will affect most individuals with children.

Section 510 of the Act includes a change in the kiddie tax, ***effective with 2006 returns!***

The old rule requiring income for kids under age 14 to be taxed at parents rates has been changed now to an under age 18 rule.

The parent may still elect to include this income on the parent's return.

Not So Hot Roth Rules:

Previously rules disallowed the conversion of a regular IRA to a Roth IRA once Modified AGI hit \$100,000.

Beginning in 2010 IRA's may be converted to Roth IRAs, without income limits, and may be included in full that year or averaged over the next 2 years. Oh baby is this big for 2006 or what?

[Back to top](#)

(Sponsored by IAAI) (309-342-5400)

Sept. 26-27-
1120/1120S/1065/LLC In
Depth-**Reston, VA**
(Sponsored by ASV)
[\(Register Here\)](#)

Sept. 28-29-
1120/1120S/1065/LLC In
Depth-**Williamsburg, VA**
(Sponsored by ASV)
[\(Register Here\)](#)

**All live seminars
include an industry-
leading subject-
tabbed reference
manual,
highlighter, sticky
notes and free
hyperlinked e-
Manual.**

Speakers for 2006:

Chris Engel(North Dakota
Tax Only Practice)

Chad Piehl (Minnesota full-
service CPA firm)

Bob Jennings (Indiana full
service CPA firm)

Joel Dinsfriend (California
Tax Only Practice)

The Production Deduction

Were you confused about the new Section 199 Production Deduction? Well thank the political hacks for making it even worse.

For the years 2005 and 2006 all wages qualify for the production deduction (except for flow-through entities' special rules below)

Now, for years beginning after 5/17/06 only wages attributable to production deduction activities qualify for the W-2 test,

Formerly, flow through entities could only flow-through W-2 amounts on the K-1 at the lesser of actual wages or (for 2005-2006) 6% of QPAI.

Now, effective for years beginning after 5/17/06 the special flow-through rule has been abandoned.

So we get one rule now and 1 rule later on the most confusing and difficult to understand law change since the tax system began.

[Back to top](#)

The Jennings Seminars newsletter is a publication of Jennings Advisory Group, LLC. All rights reserved. (c) Copyright 2005-2006. All information in this newsletter is based on interpretations by the author, official source material must be consulted for specific advice. Neither Jennings Seminars nor Jennings Advisory Group, LLC provides any assurance that the information provided herein is complete, authoritative or applicable to specific situations, for which independent research with the appropriate official source is required.

Any U.S. tax advice included in this written or electronic communication was not intended or written to be used, and it cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions .

<http://www.taxspeaker.com>

Jennings Seminars

830 Eastern Blvd.

Clarksville, Indiana 47129

Phone: 812-418-0437

Fax: 866-223-2696

To Unsubscribe: taxspeaker@aol.com