

2001 TAX SEASON NEWSLETTER

I) ELECTRONIC FILING PAYMENT OPTIONS

New York State

Starting on 1/12/01 taxpayers may elect to pay their balance due by authorizing a direct debit from their savings or checking account. Taxpayers must specify at the time their return is electronically filed, the type of account (savings or checking), account number, routing number of the bank account and the date of the debit. The direct debit option must be chosen before the state income tax is transmitted to New York State.

Starting 3/1/01 taxpayers can pay with their credit cards (American Express, Discover or Mastercard). Taxpayers can pay income taxes using either of the two credit card service providers listed below. Taxpayers must contact these providers directly.

Official Payments Corp

Call - 1-800-2PAYTAX

1-800-272-9829

www.officialpayments.com

Phone Charge Inc.

Call - 1-877-521-8NYS

1-877-521-8697

www.paynystatetax.com

You can connect to either of these sites after 3/1/01 by visiting the NYS Tax Department's web-site www.tax.state.ny.us and clicking on pay by credit card.

Internal Revenue Service

Taxpayers can pay their federal taxes using a direct debit or credit card in 2001. Direct debit payments can be made by calling 1-888-353-4537 or by setting the payment schedule up with your tax preparer at the time of your tax appointment.

You can pay income taxes using either of the two credit card service providers listed below. Taxpayers must contact these providers directly.

Official Payments Corp

Call - 1-800-2PAYTAX

1-800-272-9829

www.officialpayments.com

Phone Charge Inc.

Call - 1-888-ALLTAXX

1-888-255-8299

www.About1888ALLTAXX.com

II) 2000 TAX FIGURES

Standard Deductions for 2000

Married Filing Jointly	7350.00
Single	4400.00
Head of Household	6450.00
Married Filing Separately	3675.00

Personal Exemptions for 2000

\$2800.00 per person

2000 Phase-Out Amounts / Adjusted Gross Income Ranges

<u>Filing Status</u>	<u>Lifetime Learning & Hope Scholarship</u>	<u>Education IRA</u>	<u>Student</u>
<u>Loan Int</u>			
Married Filing Joint	\$80,000-100,000	\$150,000-160,000	\$60,000-75,000
Single	40,000 - 50,000	95,000 - 110,000	40,000-55,000
Head of Household	40,000 - 50,000	95,000 - 110,000	40,000-55,000
Married Separately	Do Not Qualify	95,000 - 110,000	Do Not Qualify
<u>Filing Status</u>	<u>Regular IRA Active Participant</u>	<u>Roth IRA</u>	<u>Child Tax Credit</u>
Married Filing Joint	\$52,000-62,000	\$150,000-160,000	(over)\$ 110,000
Single	32,000-42,000	95,000-110,000	(over) 75,000
Head of Household	32,000-42,000	95,000-110,000	(over) 75,000
Married Separately	0-10,000	0- 10,000	(over) 55,000

III) 2000 KEY CHANGES

Listed below are the maximum benefits you can receive from the new tax credits. These credits or deductions are phased out as noted above.

New Child Tax Credit	\$500.00
Hope Scholarship Credit	\$1500.00
Lifetime Learning Credit	\$1000.00
Student Loan Interest	\$2000.00

IV) VEHICLE WRITE-OFFS

Clients who are thinking of buying a vehicle for business use should consider the tax advantages of purchasing a sport utility vehicle (SUV) instead of a standard passenger auto. IRS imposes restrictive annual dollar caps on automobile depreciation; however, these dollar caps do not apply to heavy SUVs, such as the Chevrolet Suburban and Ford Excursion that have a gross loaded vehicle weight rating of over 6000 pounds.

The following is an example to show the tax implications of purchasing a passenger auto versus a heavy SUV. A business owner is thinking of buying a \$35,000 car or a \$35,000 heavy SUV. If he purchases the auto, the combined depreciation deduction and expensing amount would only be \$3060 in the 1st year. It would take 18 years to fully depreciate the \$35,000 car. In contrast, if the business owner purchases the heavy SUV, he could expense (using section 179) up to \$24,000 of its cost in 2001 and claim a \$2,200 first year depreciation allowance. The balance of the depreciable SUV basis would be written off over the next 5 years. This will decrease the client's taxable income by \$23,140 by purchasing the SUV.

Remember this does not apply to all taxpayers and any specific situation regarding the tax implications of a vehicle purchase should be discussed with your tax professional.

V) PAPERLESS ELECTRONIC FILING PROGRAM (SELF-SELECT PIN FOR E-FILE)

Starting in 2001 taxpayers electronically filing with IRS can choose to send their tax return without signing form 8453.

In the past, taxpayers had to sign and submit form 8453 after their tax return was accepted by IRS; however, in 2001 taxpayers can self-select a 5 digit Personal Identification Number (PIN) instead of sending in form 8453. The Self-Select PIN is for almost all taxpayers and makes "paperless" filing available to almost everyone who uses IRS e-file.

To participate, the taxpayer(s) will need to select any 5-digit pin number (both husband and wife if married filing jointly) and have their prior years Adjusted Gross Income and Total Tax (prior to any adjustments) available at their tax appointment, so their preparer can enter that date into the computer system. This will initiate the paperless electronic filing program.

VI) WHAT'S AHEAD IN 2001

Business Equipment Expensing

Starting in 2001, businesses can elect to write-off up to \$24,000 (Sec 179) in business equipment purchased. This is up from \$20,000 in 2000.

Among other restrictions, equipment write-offs using Sec 179 are generally limited to the current fiscal year's taxable income.

Dependency Exemption

In 2001 the dependency exemption will increase to \$2,900.

Estate Tax Exemption

The Estate tax unified credit will remain at \$675,000 for 2001, but will increase incrementally towards \$1,000,000 by 2006.

Standard Mileage Rate

IRS has announced that the standard mileage rate for business use has increased to 34.5 cents in 2001, up from 32.5 cents in 2000.

This happens to be the largest increase in recent memory and is attributed to the sharp increase in gasoline prices.

Student Loan Deduction

Up to \$2500 in interest paid on college loans will be eligible for the student loan deduction.

Kiddie Tax

The first \$750 of a child's (under 14) investment income will be tax free in 2001. The next \$750 will be taxed at the child's tax rate and amounts in excess of \$1,500 will be taxed at the parent's rate.

Retirement Plans

Contribution limits for certain retirement plans will increase in 2001. The limit for SIMPLE retirement plans offered by Small Employers will increase from \$6,000 to \$6,500. The annual contribution limit for self-employed Keough plans will jump from \$30,000 to \$35,000.

Social Security Tax

Social Security tax will be assessed on the first \$80,400 of wages in 2001 up from \$76,400 in 2000.

Quarterly Deposit Rule Change

Beginning with the first quarter of 2001 employers with an total liability of less than \$2,500 for the entire quarter may deposit or remit the amount with the quarterly 941 form.

VII) RELATED WEB SITES

Stock Information

www.bigcharts.com/hquote.asp
www.dbc.com

www.stockmaster.com
www.quote.com

Financial Aid & Scholarship Information

www.finaid.com
www.fafsa.ed.gov

www.colegesavings.com
www.findaid.org

Auto Valuations

www.nadaguides.com
www.edmunds.com
www.kbb.com

Retirement Planning

www.cnnfn.com
www.marketwatch.com
www.americanexpress.com/401k

Bookkeeping & Accounting

www.quickbooks.com

Investing

www.etrade.com
www.ameritrade.com

College Savings Programs

www.nysaves.org

REMEMBER, THE TOPICS COVERED IN THIS NEWSLETTER ARE AN ABRIDGED VERSION TO THE ACTUAL TAX LAWS AND CODES COVERED BY THE IRS AND NEW YORK STATE. THEREFORE SOME INFORMATION MAY BE SUBJECT TO CHANGE ON A CASE-BY-CASE BASIS. IF YOU HAVE ANY QUESTIONS REGARDING THE ABOVE INFORMATION PLEASE EMAIL US AT KSPNBRG@NYCAP.RR.COM.