



February 5, 2007

Issue 2007-4

## **ExacNews**

### **ExacTax Client:**

The 2006 tax filing season is off to a great start so far. Courier service is now in full operation and electronic filing for all systems is up and running. As shown below, all proforma and supplies, with the exception of 990s, have been shipped.

### **Proforma, Starter Kits and Instruction Manuals**

As of February 5<sup>th</sup> the shipping status is as follows:

- All remaining instruction manuals and out of state proforma, including California 1120, proforma and starter kits, have been shipped.
- All additional supply orders have been shipped
- The California section of the 1120 instruction manual – February 9<sup>th</sup>.
- 990 proforma and instruction manuals – February 9<sup>th</sup>.

### **April 16, 2007 filing and payment deadline is extended to April 17, 2007**

As a result of IRS notification IR-2007-15, taxpayers across the nation have until **Tuesday, April 17, 2007**, to file their 2006 returns and pay any taxes due, in observance of the April 16 Emancipation Day holiday in the District of Columbia.

The April 17, 2007, deadline applies to any of the following:

- 2006 federal individual income tax returns, whether filed electronically or on paper
- Requests for an automatic six-month tax-filing extension, whether submitted electronically or on Form 4868
- Tax year 2006 balance-due payments, whether made electronically (direct debit or credit card) or by check
- Tax-year 2006 contributions to a Roth or traditional IRA
- Individual estimated tax payments for the first quarter of 2007, whether made electronically or by check

ExacTax will automatically update all affected calculations, filing instructions, and payments scheduled for April 16, 2007, to April 17, 2007. No action is required on your part.


### **Extended Support Hours**

The ExacTax increased support hours are as follows, (Pacific Time):

Monday through Friday ..... 8:00 A.M. to 6:00 P.M.  
Beginning February 12, M-F ..... 8:00 A.M. to 8:00 P.M.  
Saturdays, (beginning February 3)..... 8:30 A.M. to 5:00 P.M.  
Sunday, March 11 ..... 9:00A.M. to 3:00 P.M.  
Sunday, April 1, 8 and 15 ..... 9:00A.M. to 3:00 P.M.

## RDE Software

New release **2006.5** is now available for download from the Creative Solutions website and the CD will begin shipping shortly. This is a full release and not an update; if you want to download it you must go to the Product Support portion of the Creative Solutions site at <https://www.creativesolutions.thomson.com/support/>

When a new release (CD) becomes available it should always be installed as soon as possible. After installing a new release, be sure that you check for updates on the internet using *CS Connect*, (the little red plug on your toolbar ), on a regular basis. Several late state programs will become available between releases as well as finalized forms, program updates and corrections.

## RDE PRP Message

2006 RDE users get an UltraTax critical diagnostic whenever a return requires a PRP code. This may appear for the federal, state or both. PRP stands for Per Return Pricing, which is a single return license to print. Since RDE users send their returns to ExacTax for printing, this message can always be ignored.

## Electronic Filing

As of February 5<sup>th</sup> you can electronically file individual income tax returns with the tax extender deductions: state and local sales tax, tuition and fees deduction, and educator expenses. Any returns that ExacTax has been holding for this reason were automatically processed and printed. No action is required on your part. RDE users must download the update from UltraTax, available as of February 5<sup>th</sup>, to avoid the error diagnostic associated with the extenders.

If you receive a return back that has been disqualified for e-filing by ExacTax, be sure that you review both your regular return diagnostics as well as the ExacTax E-file Error Report for all error messages. Electronic files are currently being transmitted at 9:30 AM, 1:00 PM, 5:00 PM and 9:00 PM (Pacific Time).

**Important!** *ExacTax* must receive your authorization before any EF return is transmitted. Your authorized returns will normally be included in the next transmission. Acknowledgements are normally received within 24 to 48 hours. If you still have an ACK pending after 72 hours, please contact the Customer Support Department.

**Processing Reminder:** The IRS defines decedent returns for electronic filing purposes as returns with a decedent date of death in either tax year 2006 or processing year 2007. An *In care of addressee/name* must be entered for all EF decedent returns on 1040 Input Form 1, Zip 47.

## Vehicle Property Tax Deduction

This year several new expense detail fields have been added to the Additional Vehicle Information area on Forms **[51]** and **2106 [72]**. Among these are Registration, License and Property taxes. Many preparers refer to 'license and registration' in conjunction with the vehicle expense when they really mean 'property tax and registration'. In fact, only the business portion of Interest and Property taxes are deductible, even when the mileage method is used. For California returns, in general, when entering vehicle expenses there should always be an entry in Property taxes to receive the maximum benefit.

## Tip - Sales Tax Rate Lookup

A quick way to look up California local sales tax rates by county or by city can be found at the California Board of Equalization's web site at <http://www.boe.ca.gov/cgi-bin/rates.cgi>

## Vista Operating System

Microsoft's new Vista operating system was just released in January and will soon become the standard on most new computers. UltraTax/CS and Exactax RDE Communications Center will run under Vista. However, as with all new operating systems – Exactax does NOT recommend that you be the first one on the block to use it. There will inevitably be problems with older software and even with new software, so we suggest that you wait until after the tax season to make the switch. If you must buy a new computer, try to get it with Windows XP installed and a certificate for a free upgrade to Vista that you can install later.

## Revised Input Forms

1040 Input Form 2106 [72]: The input field for Average Round Trip Commute was inadvertently omitted from the proforma version and has now been corrected. Input in this field is informational only and does not affect any computation. The corrected field has been inserted between the shaded fields for Business Use% and the Business Miles X .445. Also note that if the average mileage was entered last year it is automatically recalled from proforma.

1040 Input Form Cr-3 [80C]: A revised version of Input Form Cr-3 [80C] for entering Residential Energy Credit has added a section for Joint Occupancy amounts. This section is only used when the taxpayer is claiming credits on a home owned jointly with someone other than a spouse.

## Hybrid Vehicle Reference Chart

Attached to this newsletter is a chart listing all of the qualifying hybrid vehicles to date by manufacturer with the amount of credit. Also included is a brief explanation of the credit phase-out and the credit interaction with the alternative minimum tax.



### Customer Support

The direct number for Customer Support is **(800) 254-2244**. Have your six digit account number ready when calling regarding any type of questions, billing, input procedures, return status and/or technical tax questions. If you need to fax any information to Customer Support, the number is **(714) 254-7210**.

Review your ExactTax Instruction Manual and/or the UltraTax/CS™ Software User Manual before contacting Customer Support; it could save you and us valuable time.

**Telephone Reruns and Supplies Orders:** To process Telephone Reruns or order supplies, call **(800) 786-4272**. This department will be open the same hours as Customer Support. When calling in a Telephone Rerun, please have all information ready, including your account number, log number of the return, form number or form name, form section and box number for the Telephone Rerun Representative. Telephone Reruns called in by 4:30 P.M, Pacific Time, are generally ready for shipment the following day; however ExactTax does not guarantee this.

Do not call the Telephone Rerun number for technical help. The Telephone Rerun Representatives are not trained to answer tax or software questions. Due to internal changes in the processing of Telephone Reruns, observe the following:


1. ***Absolutely no more than thirty changes can be made to one return.***  
If more than 30 changes are needed you must resubmit all input for reprocessing.
2. Please make all changes to a specific form at the same time.
3. If you must call in a second change on the same return, be sure to tell the Rerun Representative the date and time you made the previous change.

### Important ExactTax Telephone Numbers

<b>Main numbers</b>	714- 284-4802	800-352-3638
Customer Support	<b>800-254-2244</b>	
Telephone Rerun	714-239-6139	800-786-4272
Electronic Filing (Batch users)	714-254-7228	
<b>Main fax</b>	714-284-4814	
Customer Support fax	<b>714-254-7210</b>	
Accounting fax	714-999-6566	

Street address: **2301 W Lincoln Ave #100**  
**Anaheim, CA 92801**

Or mail to: **P.O. Box 61048**  
**Anaheim, CA 92803-6148**

 Note: DO NOT send express mail to our P.O. Box; this will delay pick-up by one day or more.

To contact us by e-mail, use the following addresses:  
 Sales..... **exsales@exactax.com**  
 Customer Support..... **exsupport@exactax.com**  
 Electronic Filing..... **efrdeaut@exactax.com**  
 Technical Support..... **extech@exactax.com**  
 Administrative..... **exadmin@exactax.com**  
 Accounting..... **exaccts@exactax.com**

Also, visit our web site: <http://www.exactax.com>

## Credit Available for Taxpayers Who Purchased or Leased Hybrid Vehicles In 2006

FS-2007-9, January 2007

Taxpayers who purchased or leased any of 44 different models of hybrid vehicles in 2006 may be entitled to a tax credit on their 2006 returns worth as much as \$3,150 for the most fuel-efficient models. The precise amount of the credit depends on the make and model of the vehicle and when the vehicle was purchased. Taxpayers may claim the credit on their 2006 tax returns only if they placed a qualified hybrid vehicle in service in 2006.

The Alternative Motor Vehicle Credit for hybrid vehicles — powered by both an internal combustion engine and a rechargeable battery — was enacted as part of the Energy Policy Act of 2005.

Taxpayers may claim the full amount of the allowable credit only up to the end of the first calendar quarter after the quarter in which the manufacturer records its sale of the 60,000<sup>th</sup> hybrid vehicle. The only manufacturer for whom the credit has been limited in the 2006 tax year is Toyota Motor Sales, USA, which includes Lexus.

The credit amount and purchase date limitation for various models of Toyota and Lexus, which sold more than 60,000 hybrid vehicles, is as follows:

Qualifying Vehicle	Taxpayers May Claim Full Credit If Purchased By 9/30/06	Taxpayers May Claim Half Credit If Purchased From 10/1/06 Through 3/31/07	Taxpayers May Claim Quarter Credit If Purchased From 4/1/07 Through 9/30/07	Taxpayers May Claim No Credit If Purchased After 10/1/07
05, 06, 07 Toyota Prius	\$3,150	\$1,575	\$787.50	\$0
06, 07 Toyota Highlander 2WD, 4WD	\$2,600	\$1,300	\$650	\$0
07 Toyota Camry Hybrid	\$2,600	\$1,300	\$650	\$0
06, 07 Lexus RX 400h 2WD, 4WD	\$2,200	\$1,100	\$550	\$0
07 Lexus GS450h	\$1,550	\$775	\$387.50	\$0

**Credit amount for other manufacturers' hybrid vehicles****Ford Motor Corp.**

- 05, 06, 07 Ford Escape Hybrid 2WD — \$2,600
- 05, 06, 07 Ford Escape Hybrid 4WD — \$1,950
- 06, 07 Mercury Mariner Hybrid 4WD — \$1,950

**General Motors Corp.**

- 06, 07 Chevrolet Silverado 2WD Hybrid Pickup Truck — \$250
- 06, 07 Chevrolet Silverado 4WD Hybrid Pickup Truck — \$650
- 06, 07 GMC Sierra 2WD Hybrid Pickup Truck — \$250
- 06, 07 GMC Sierra 4WD Hybrid Pickup Truck — \$650
- 07 Saturn Vue Green Line — \$650

**American Honda Motor Company, Inc.**

- 05 Honda Accord Hybrid AT and Navi AT — \$650
- 05 Honda Civic Hybrid MT and CVT — \$1,700
- 05, 06 Honda Insight CVT — \$1,450
- 06 Honda Accord Hybrid AT and Navi AT with updated calibration — \$1,300
- 06 Honda Accord Hybrid AT and Navi AT without updated calibration — \$650
- 06 Honda Civic Hybrid CVT — \$2,100
- 07 Honda Accord Hybrid AT — \$1,300
- 07 Honda Accord Hybrid Navi AT — \$1,300
- 07 Honda Civic Hybrid CVT — \$2,100

**Nissan Motor Company, Inc.**

- 07 Nissan Altima Hybrid — \$2,350

### **Credit Phase-Out Depends on Vehicle Sales**

The phase-out period for a manufacturer begins with the second calendar quarter after the calendar quarter in which the manufacturer records its 60,000th sale. For the second and third calendar quarters after the quarter in which the 60,000th vehicle is sold, taxpayers may claim 50 percent of the credit. For the fourth and fifth calendar quarters, taxpayers may claim 25 percent of the credit. For quarters after that fifth quarter, taxpayers may not claim the credit.

The purchase date determines the amount of credit for which a hybrid vehicle is eligible, but the date the vehicle is placed into service determines when the credit can be claimed for the vehicle. Purchasing and ordering a hybrid vehicle is not enough to claim the credit. The vehicle must be placed in service as well.

### **Used and Leased Vehicles**

A consumer that leases a hybrid vehicle is not eligible for the credit. The credit is allowed to the vehicle owner, including the lessor of a vehicle subject to a lease. That means that the lessor (the person who leases the vehicle to the consumer) is the person who can claim a credit for the vehicle.

A credit for a hybrid vehicle can only be claimed by the original purchaser of the vehicle, that is, the purchaser of a new vehicle. The credit does not apply to a used hybrid vehicle.

### **The Credit and the Alternative Minimum Tax**

Also the Alternative Motor Vehicle Credit cannot be used to offset the Alternative Minimum Tax (AMT). A taxpayer cannot claim the credit unless the taxpayer's regular tax liability exceeds the taxpayer's AMT liability.

Even if a person is not subject to the AMT, he may not be able to claim the maximum allowable credit, or any credit, for the qualified vehicle that is purchased. The amount of the credit that one can claim depends on the particular facts and circumstances. The credit is non-refundable and does not carryover.

*Note:* If the credit is claimed on a business use vehicle, the unused business portion of the credit will be carried over as a part of the general business credit.