Volume 26, No. 1
Winter Issue 2007

TODAY'S Consumer

Karen P. Varcoe, Ph.D.
Program Leader
Consumer Economics/
Management Specialist
951.827.3419
karen.varcoe@ucr.edu

Connie Costello
Program Representative
951.827.5241
connie.costello@ucr.edu

Katie Breyer
Program Representative
951.827.5241
katieb@ucr.edu

Chanda Gonzales
OMK Project Director
951.827.5241
chanda.gonzales@ucr.edu

Sylena Wise
Administrative Assistant
951.827.5241
sylena.wise@ucr.edu

Jeanine Leary
Administrative Assistant
951.827.5241
jeanine.leary@ucr.edu

Kerry Decker
Marketing Specialist/
Graphic Designer
951.827.5241
kerry.decker@ucr.edu

Long-Distance Telephone Tax Refund in 2007

The IRS has announced that during the 2007 tax filing season it will refund approximately $10 billion to telephone customers who paid federal tax on their long-distance service during the past three years. Federal court decisions have ruled the IRS was not justified in collecting this excise tax on long-distance service. The tax was collected by telephone service companies through their customer bills. As of September 2006, the tax was no longer apart of the bill.

Who qualifies for the tax refund?

Telephone customers who had long-distance service anytime in the months after February 28, 2003 and before August 1, 2006 may qualify if they had the following service:

- Standard land-line telephone with long-distance service
- Cell phone service
- Internet long-distance calling plans (Voice-over Internet Protocol service)

Those who had long-distance service only through pre-paid telephone long-distance cards do not qualify for refunds of this tax. The companies that provided the cards were required to pay the tax in advance directly to the IRS. Also, refunds do not apply to taxes paid on local telephone service or federal access charges.

How much is the tax refund?

The telephone tax refund for individuals will normally range from $30-$60, depending on the number of exemptions a taxpayer can claim in 2006.

- 1 exemption = $30 refund
- 2 exemptions = $40 refund
- 3 exemptions = $50 refund
- 4 or more exemptions = $60

How do individuals request the tax refund?

Individual taxpayers can file a request for the telephone tax refund with any 2006 federal tax return form-1040, 1040A, 1040EZ-which will have specific instructions for this refund. Those who are entitled to the telephone tax refund who otherwise have no reason to file a federal tax return may use a special short form, the new 1040EZ-T, "Request for Refund of Federal Telephone Excise Tax." The form, 1040EZ-T is not a tax return and can only be used to request the telephone tax refund.

For more information on the telephone tax refund go to: www.irs.gov

Source:
Long-distance Telephone Tax Refund in 2007, The Center on Budget and Policy Priorities, www.cbpp.org

University of California • Cooperative Extension • 139 Highlander Hall • Riverside, CA 92521

The Earned Income Credit:

A Powerful Benefit for People Who Work!

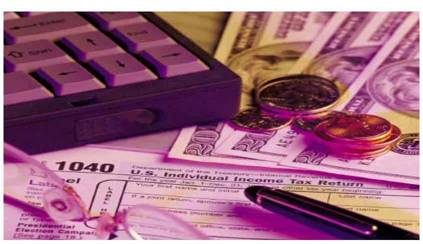
What is the Earned Income Credit?

The EIC is a special tax benefit for working people who earn low or moderate incomes. Important purposes are to reduce the tax burden on these workers, to supplement wages, and to provide a work incentive. Workers who qualify for the EIC and file a federal tax return can get back some or all of the federal income tax that was taken out of their pay during the year. Even workers whose earnings are too small to owe income tax can get the EIC.

Who can get the EIC and how much is it worth?

Single or married people who worked full-time or part-time at some point in 2006 can qualify for the EIC, depending on their income.

- Workers who were raising one child in their home and had income of less than $32,001 (or $34,001 for married workers) in 2006 can get an EIC of up to $2,747.
- Workers who were raising more than one child in their home and had income of less than $36,384 (or $38,348 for married workers) in 2006 can get an EIC of up to $4,536.
- Workers who were not raising children in their home, were between the ages of 25 and 64 on December 31, 2006, and had an income below $12,120 (or $14,120 for married workers) can get an EIC up to $412.



Does the EIC affect eligibility for other public benefits?

No!! The EIC does not count as income in determining eligibility for benefits like cash assistance (welfare), Medicaid, food stamps, SSI, or public housing.

How do you get the Earned Income Credit?

- Workers raising a “qualifying child” in their home in 2006 must file either Form 1040 or 1040A (not 1040EZ) and must fill out and attach Schedule EIC. Married workers must file a joint return to get the EIC.
- Workers who were not raising a child in their home in 2006 can file any tax form (including a 1040EZ). These workers must write “EIC” or the dollar amount of their credit on the Earned Income Credit line on the tax form. They do not file Schedule EIC.
- All names and Social Security numbers must be correct for every person listed on the tax return and/or Schedule EIC.
- Workers do not have to calculate their own EIC. If they choose, the IRS will do it for them.

Source: About Tax Credits for Working Families, The Center on Budget and Policy Priorities, www.cbpp.org

Who is a Qualifying Child for the EIC?

- Sons, daughters, stepchildren, grandchildren and adopted children
- Brothers, sisters, stepbrothers, or stepsisters-as well as descendants of such relatives
- Foster children who are placed with the worker by an authorized government or private placement agency

“Qualifying children” must live with the worker for more than half of the year. They must be under age 19, or under age 24 if they are full-time students. Children of any age who have total and permanent disabilities also may be qualifying children. Valid Social Security numbers are required for qualifying children born before December 31, 2006

The Child Tax Credit:

An Extra Tax Break for Working Families!

What is the Child Tax Credit?

The Child Tax Credit (CTC) is a federal tax credit worth up to $1,000 in 2006 for each qualifying child under age 17 claimed on the worker's tax return. While the CTC has been in effect since 1998, Congress changed the credit in 2001 to make it available to millions more low and moderate income working families. They also provided many families with a larger CTC than they received in the past. This additional CTC is refundable, meaning some families can get the credit even if they owe no income tax.

Who Can Claim the Child Tax Credit Refund?

To be eligible for the CTC refund, a single or married worker must:

- Have a qualifying child under age 17
- Have taxable earned income above $11,300 and
- Have either a Social Security number (SSN) or an Individual Taxpayer Identification Number (ITIN). ITINs are issued by the IRS to individuals who are unable to obtain a Social Security number. (Immigrant workers with either type of number may be able to claim the CTC refund.)

Can a working family get both the Child Tax Credit refund and the Earned Income Credit?

Yes!! Most low-wage working families that qualify for the CTC refund will also be eligible for the EIC. For many families that qualify for both credits, the EIC will be larger, but the CTC still will be a significant advantage.

How do families get the Child Tax Credit refund?

Step one - a working family needs to file a federal income tax return (Form 1040 or 1040A, but not a 1040EZ). The instructions and worksheet included in the IRS tax form packet will help tax filers figure out their income tax and calculate their maximum possible CTC. The CTC is first used to reduce or eliminate any income tax the tax filer owes. If any of the CTC is left over after the income tax has been eliminated, the tax filer moves on to the next step in the process.

Step two - file Form 8812. This form is titled "Additional Child Tax Credit" and is used to find out if a working family qualifies for a CTC refund. If they are, the form also determines how much refund the family will receive. This form must be attached to the tax return for a family to receive the CTC refund.

Source:
About Tax Credits for Working Families, The Center on Budget & Policy Priorities, www.cbpp.org

Who is a Qualifying Child for the CTC?

- Sons, daughters, stepchildren, grandchildren and adopted children
- Brothers, sisters, stepbrothers, or stepsisters-as well as descendants of such relatives
- Foster children who are placed with the worker by an authorized government or private placement agency

A child claimed for the CTC must be under age 17 at the end of 2006. The child must live with the worker for more than half of the year in the U.S. and must be either a citizen or a resident alien. The child must have either a valid Social Security number or an Individual Taxpayer Identification Number (ITIN).

Tax Facts

Did You Know?

$ More than 75% of U.S. taxpayers are entitled to a refund, averaging $2,171 each year!

$ You have less than a 1% chance of being randomly audited!

$ Don't forget to sign your forms! Many people draw unwanted attention to their returns by forgetting to sign them and this usually results in an audit.

$ Taxpayers get two extra days this year to file and pay any taxes due. The deadline is Tuesday, April 17, 2007 because the usual April 15 date falls on a Sunday, and the following day is Emancipation Day, a legal holiday in Washington, D.C.

$ Don't forget that you can claim an elderly parent as a dependent if you are their sole caregiver. The qualifications for this tax break are tricky so check out the restrictions in detail at www.bankrate.com/brm/itax/tips.

Sources:
AgBIO COMMUNICATIONS UNIT, South Dakota State University, Liz Gorham, January 16, 2007
www.skocpa.com/news.htm
www.post-gazette.com/pg/07028/757190-68.stm

Direct Deposit

your Tax Refund in up to 3 Accounts

U.S. citizens who are entitled to a federal tax refund can now get their money directly deposited in up to three different accounts. In the past, Form 1040 indicated that filers could receive their refund either in the form of a check or as a direct deposit to either their checking or savings account. Now, using Form 8888, people can directly deposit their refund in up to three accounts (such as checking, health savings and retirement accounts). There is no minimum amount required for any of the direct deposits, it is up to your discretion to decide how to divide your return. Choosing to use direct deposit is safe and fast. You must provide valid routing and account numbers before any transaction can be made and the refunds are received in two weeks or less.

Direct deposit was first offered by the IRS in 1987, and is now being used by about half of today's refund filers. The IRS estimated that the 2005 tax year resulted in 52.7 million refunds adding up to $134.2 billion were deposited directly into bank accounts.

Source:
AgBIO COMMUNICATIONS UNIT, South Dakota State University, Liz Gorham, January 16, 2007

Whether you need to renew your passport or file a change of address, USA.gov, the U.S. government's official web portal is your trustworthy one-stop source for online government information and services.

The web address, USA.gov, was chosen in response to requests for a name that is easy to understand and remember. The Spanish language counterpart address is GobiernoUSA.gov. Users can toggle back and forth between the English and Spanish site with the click of a button. The sites bring millions of Federal, state, local, tribal, and territorial government web pages together in one easy-to-navigate place. You can renew your driver's license, shop government auctions, apply for Federal benefits, find recreation activities, and much more all from the comfort of your computer at USA.gov.

Need a photo of Ben Franklin for your child's history report? Or how about the latest research from the National Institutes of Health? USA.gov can help. Just click on "Images" or "News" from USA.gov's search box, and you'll be quickly connected to the latest news items and pictures from government sources. From photographs taken on Mars to presidential speeches, USA.gov has it all.

Millions around the world can now learn about educational, business, and tourist opportunities by using the new "Visitors to the U.S." gateway. It provides individuals and businesses with useful information on exploring U.S. tourist destinations, getting student visas, doing business in the U.S., and much more. With easily accessible links on everything from importing U.S. goods to driving in the U.S., this new gateway has something for everyone.

Want to know how to contact your representative in Congress? How to obtain your birth certificate? Or where to donate blood in your community? Use "Online Personal Assistance" now available on USA.gov for quick, reliable answers to these questions. Questions can also be answered through live web chat Monday through Friday, noon to 8p.m. Eastern Time. Or simply click on "Contact Us" or "Frequently Asked Questions" at the bottom of any page to email your questions or comments. You will receive a response within two business days.

From applying for college loans and Social Security benefits to purchasing savings bonds, you can do it all at USA.gov.

Source: USA.gov:It's Government Made Easy, USA.gov News Release,1/07

Revised High School Program Nears Launch

Months of planning, dozens of meetings, hours of design, writing and re-writing, and several field tests will culminate soon in the rollout of an all-new NEFE High School Financial Planning Program® (HSFPP). Updated materials will be unveiled by late spring, and teens across the country will begin using the new edition in fall 2007. The updated curriculum is now linked to education standards in all 50 states, and to several national subject-area standards. For more information about the revised program, log on to the Education Programs section at www.nefe.org.

A New Year comes with New Laws

As of January 1, 2007 the following California vehicle laws went into effect:

"Trunking"

AB 1850 states that it is illegal for a person to knowingly drive a motor vehicle while another person is riding in the trunk. Riding in the trunk is also illegal and has been for years. If caught, the driver now will receive a fine and one point on his or her driving record. The person riding in the trunk will also receive a fine. The law has come about in response to some teen drivers' attempts to sidestep the passenger restrictions of California's provisional license law. The provisional license law states that teen drivers may not transport anyone under the age of 20 without a parent or a licensed driver over the age of 25 in the car. A teen's license is provisional for the first 12 months or until they turn 18, whichever occurs first. Since 2000, there have been 153 collisions involving trunking, resulting in nine deaths and 140 injuries.

Driving Under the Influence

AB 2752 increases the penalties for underage drinking and driving. The new law increases the severity of the incident from a civil penalty to a criminal offense. Drivers under 21 years old with a blood alcohol concentration 0.01 or higher will now be charged with a criminal offense. First time offenders will be fined a minimum of $350. This fine is a small fraction of the average $13,000 worth of fees and fines that accompany a DUI.

Reckless Driving and Street Racing

AB 2190 makes reckless driving and street racing a felony offence for first time offenders if the incident resulted in great bodily harm. Before this law, only those with a previous conviction for this offense could be charged with a felony. Now, first time offenders will be charged the same. Examples of great bodily injury include loss of consciousness, concussions, bone fractures, serious disfigurement, wounds requiring extensive suturing, and paralysis.

Emergency Vehicles

SB 1610 is intended to increase the safety of emergency vehicle and tow-truck personnel working on the side of the road. Drivers who are approaching a stopped emergency vehicle or tow-truck with it's siren or emergency lights on, must cautiously move into an available lane at least two lanes away from the emergency vehicle or tow-truck. If the lane merge is not safe, practical, or legal, the driver must slow to a reasonable and safe speed.

Right-of-Way Violations

SB 1021 increases the fine for right-of-way violations that result in bodily injury or great bodily injury. Those who fail to abide by right-of-way laws risk the chance of being fined at least $245 if bodily injury is involved and at least $345 if great bodily injury occurs. In regards to this particular law, great bodily injury is defined as "any significant or substantial physical injury." This law also requires the DMV driver handbook and traffic-violator school curriculums to include information about respecting the right-of-way of others such as pedestrians, cyclists, and motorcycles.

The following three laws will go into effect on January 1, 2008:

Wireless Telephones

SB 1613 will prohibit the use of handheld cell phones while driving. Starting next year, a driver can use a cell phone only if it has a hands-free listening and speaking attachment. First time offenders will be issued minimum fine of $70 and a multiple offender will face a minimum fine of $175. Walkie-Talkie systems are exempt from the hands-free requirement until July 1, 2011.

Smog Check

Under AB 1870, beginning in 2008, vehicles that visibly emit smoke from the tailpipe or crankcase during a smog check will automatically fail the test. An appeals process will be set up for owners who feel that their vehicle should pass no matter if smoke is visible or not. Low-income vehicle owners may be eligible for repair assistance.

Car-Key Replacement

SB 1542 is sponsored by the Auto Club, and will make it easier for vehicle owners whose keys are lost, stolen, or broken to obtain replacement keys.

Source:
What Laws Ahead, Upfront AAA Magazine, Jan/Feb 2007

Comments and Requests

Today's Consumer is written primarily for the staff of UC Cooperative Extension. It is available to readers outside of Cooperative Extension for a subscription fee. Send comments and requests to me at: Cooperative Extension, University of California, Riverside, CA 92521; 951-827-5241.

Karen P. Varcoe, Consumer Economics Management Specialist

Katie Breyer, Program Representative

SUBSCRIPTION FOR TODAY'S CONSUMER

_____ Enclosed is payment of $5.00 for a one-year subscription (4 issues)   Change of address_____

_____ Enclosed is payment of $9.00 for a two-year subscription (8 issues)

Make check payable to **The Regents of the University of California**. Purchase orders **cannot** be accepted.
Name____
Address____
City____State_________Zip_______

Mail this form* and payment to: Karen P. Varcoe, Cooperative Extension, University of California, 137 C Highlander Hall, Riverside, CA 92521.

*You may reproduce this form to submit a subscription.

Cooperative Extension
University of California
Riverside, California 92521