

# TAX AND ACCOUNTING DIGEST

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### CLAIMING CHILD & DEPENDENT CARE CREDIT

If you paid someone to care for a child or a dependent so you could work or look for work, you may be able to reduce your tax by claiming the Child and Dependent Care Credit on your federal income tax return.

You may also be able to claim the credit if you pay someone to care for your dependent who is under age 13 or for a spouse or a dependent of any age who is physically or mentally incapable of self-care.

The credit is a percentage of the amount of work-related child and dependent care expenses you paid to a care provider. The credit can be up to 35 percent of your

### CREDIT FOR RETIREMENT SAVINGS CONTRIBUTION

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement, you may be able to take a tax credit.

The Retirement Savings Contributions Credit applies to:

Individuals with incomes up to \$25,000 (\$37,500 for a head of household) and married couples, filing jointly with incomes up to \$50,000

You must also be at least age 18, not a full-time student and you cannot be claimed as a dependent on another person's return

You may be able to take the credit of up to \$1,000 (up to \$2,000 if filing jointly) if you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans.

The credit is a percentage of the qualifying contribution amount, with the highest rate for taxpayers with the least income.

When figuring this credit, you must subtract the amount of distributions you have received from your retirement

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qualifying expenses, depending upon your income.

For 2007, you may use up to \$3,000 of the expenses paid in a year for one qualifying individual, or \$6,000 for two or more qualifying individuals. These dollar limits must be reduced by the amount of any dependent care benefits provided by your employer that you exclude from your income.

To claim the credit for child and dependent care expenses, you must meet the following conditions: (1) You must have earned income from wages, salaries, tips or other taxable employee compensation, or net earnings from self-employment, (2) The payments for care cannot be paid to someone you can claim as your dependent on your return or to your child who is under age 19, (3) Your filing status must be single, head of household, qualifying widow(er) with a dependent child or married filing jointly, (4) The care must have been provided for one or more qualifying persons, (5) The qualifying person must live with you for more than half of the year.

### CREDIT FOR RETIREMENT ..... CONTINUES

plans from the contributions you have made. This rule applies for distributions starting two years before the year the credit is claimed and ending with the filing deadline for that tax return.

The Retirement Savings Contributions Credit is in addition to other tax benefits which may result from the retirement contributions. For example, most workers at these income levels may deduct all or part of their contributions to a traditional IRA. Contributions to a 401(k) plan are not subject to income tax until withdrawn from the plan.

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### DEDUCTING COSTS OF REFINANCING YOUR HOME

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*Have you received a letter  
from the IRS?*

*Contact us  
**770.956.6455***

*for advice and guidance*

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Taxpayers who refinanced their homes may be eligible to deduct some costs associated with their loans. The term "points" is used to describe certain charges paid to obtain a home mortgage. Here are some things to remember when deducting points: (1) Generally, for taxpayers who itemize, the "points" paid to obtain a home mortgage may be deductible as mortgage interest (2) Depending on circumstances, points can be fully deductible in the year paid (3) Points paid solely to refinance a home mortgage usually must be deducted over the life of the loan. For a refinanced mortgage, the interest deduction for points is determined by dividing the points paid by the number of payments to be made over the life of the loan. This information is usually available from lenders. Taxpayers may deduct points only for those payments made in the tax year. However, if part of the refinanced mortgage money was used to finance improvements to the home and if the taxpayer meets certain other requirements, the points associated with the home improvements may be fully deductible in the year the points were paid. Also, if a homeowner is refinancing a mortgage for a second time, the balance of points paid for the first refinanced mortgage may be fully deductible at pay off. Other closing costs – such as appraisal fees and other non-interest fees – generally are not deductible. Additionally, the amount of Adjusted Gross Income can affect the amount of deductions that can be taken.

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