Barker Business Services Inc.

2006 Tax Season News

2005-2006

Member of:

- National Association of Tax Professionals
- National Society of Tax Professionals
- National Association of Enrolled Agents
- National Society of Accountants
- American Institute of Professional Bookkeepers
- Lincoln Lakes Region Chamber of Commerce

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Charitable Contributions of Cars, Boats, and Aircraft

If you donate a car to a qualified organization after December 31, 2004, your deduction is limited to the gross proceeds from its sale by the organization. This rule applies if the claimed value of the donated vehicle is more than $500. However, if the organization makes significant intervening use of or materially improves the car, you generally can deduct its fair market value.

These rules also apply to donations of boats, aircraft, and any vehicle manufactured mainly for use on public streets, roads, and highways.

If the claimed value of the car is more than $500, you must have a written acknowledgement of your donation from the organization and must attach it to your return. If you do not have an acknowledgement, you cannot deduct your contribution.

The acknowledgement must include the following information. 1) Your name and taxpayer identification number. 2) The vehicle identification number or similar number. 3) A statement certifying the car was sold in an arm's length transaction between unrelated parties. 4) The gross proceeds from the sale. 5) A statement that your deduction may not be more than the gross proceeds from the sale. 6) The date of the contribution.

However, if there was significant intervening use of or material improvement to the car by the organization, the acknowledgement does not have to include the information in items 3, 4, and 5 above. Instead, it must contain a certification of the intended use of or material improvement to the car and the intended duration of that use and a certification that the vehicle will not be transferred in exchange for money, other property, or services before completion of that use or improvement.

This acknowledgement must be provided within 30 days of the sale of the car or, if there is significant intervening use or material improvement of the car by the organization, within 30 days of the contribution.

The organization also must provide this information to the IRS.

These rules do not apply to donations of inventory. For example, these rules do not apply if you are a car dealer who donates a car you had been holding for sale to customers.

Standard Deduction Amount Increased

The standard deduction for taxpayers who do not itemize deductions on Schedule A of Form 1040 is, in most cases, higher for 2005 than it was for 2004. The amount depends on your filing status, whether you are 65 or older or blind, and whether an exemption can be claimed for you by another taxpayer.

The basic standard deduction amounts for 2005 are:

Head of household - $7,300

Married taxpayers filing jointly and qualifying widow(er)s—$10,000

Married taxpayers filing separately — $5,000

Single — $5,000

Uniform Definition of a Qualifying Child

Beginning in 2005, one definition of a qualifying child will apply for each of the following tax benefits: 1) Dependency exemption, 2) Head of household filing status, 3) Earned income credit (EIC) and 4) Child tax credit.

In general, all four of the following tests must be met to claim someone as a qualifying child.

1) Relationship test.

The child must be your child (including an adopted child, stepchild, or eligible foster child), brother, sister, stepbrother, stepsister, or a descendent of one of these relatives.

An adopted child includes a child lawfully placed with you for legal adoption even if the adoption is not final.

An eligible foster child is any child who is placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

2) Residency test.

A child must live with you for more than half of the year. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility count as time lived at home. A child who was born or died during the year is considered to have lived with you for the entire year if your home was the child's home for the entire time he or she was alive during the year. Also, exceptions apply, in certain cases, for children of divorced or separated parents and parents of kidnapped children.

3) Age test.

A child must be under a certain age (depending on the tax benefit) to be your qualifying child.

3a) Dependency exemption, head of household filing status, and EIC.

For purposes of these tax benefits, a child must be under the age of 19 at the end of the year, or under age 24 at the end of 2005 if a student, or any age if permanently and totally disabled.

A student is any child who, during any 5 months of the year: 1) Was enrolled as a full-time student at a school, or 2) Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or night school.

3b) Child tax credit.

For purposes of the child tax credit, a child must be under the age of 17.

3c) Credit for child and dependent care expenses.

For purposes of the credit for child and dependent care expenses, a child must be under the age of 13 or any age if permanently and totally disabled.

4) Support test.

A child cannot have provided over half of his or her own support during the year.

Exception: For purposes of the EIC only, the Support test does not apply.

Qualifying Child of More Than One Person: Sometimes a child meets the tests to be a qualifying child of more than one person. However, only one person can treat that child as a qualifying child. If you and someone else (other than your spouse if filing jointly) have the same qualifying child, you and the other person(s) can decide who will claim the child. If you cannot agree on who will claim the child and more than one person files a return using the same child, the IRS may disallow one or more of the claims using the tie-breaker rule explained in Table 1, next.

Table 1. When More Than One Person Files a Return Claiming the Same Qualifying Child (Tie-Breaker Rule).

IF . . .	**THEN the child will be treated as the qualifying child of the. . .**
only one of the persons is the child's parent,	parent.
both persons are the child's parent,	parent with whom the child lived for the longer period of time. If the child lived with each parent for the same amount of time, then the child will be treated as the qualifying child of the parent with the highest adjusted gross income (AGI).
none of the persons are the child's parent,	person with the highest adjusted gross income.

Extension of Time to File

Starting in 2006 for the 2005 tax year Form 4868 is used to obtain an automatic 6-month extension of time to file. Form 2688 with its explanation requirement is no longer needed to increase the old four month extension an extra two months. An extension of time to file is not an extension of time to pay. An estimate of the balance due must be sent in with form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.

Standard Mileage Rates

For tax years beginning in 2005, the allowable deductions for the standard mileage rate for the period January 1, 2005, through August 31, 2005, are as follows:

- Business miles. The standard mileage rate for the cost of operating your car increases to 40.5 cents a mile for all business miles driven.

- Charitable services. The standard mileage rate allowed for use of your car when you use your car to provide charitable services to a charitable organization is 14 cents a mile.

- Medical reasons. The standard mileage rate allowed for use of your car for medical reasons is 15 cents a mile.

- Moving. The standard mileage rate for determining moving expenses is 15 cents a mile.

The allowable deductions for the standard mileage rate for the period September 1, 2005, through December 31, 2005, are as follows:

- Business miles. The standard mileage rate for the cost of operating your car increases to 48.5 cents a mile for all business miles driven.

- Charitable services. The standard mileage rate allowed for use of your car when you use your car to provide charitable services to a charitable organization remains at 14 cents a mile.

- Medical reasons. The standard mileage rate allowed for use of your car for medical reasons is 22 cents a mile.

- Moving. The standard mileage rate for determining moving expenses is 22 cents a mile.

Genworth Financial Securities Corp.

I want to take a moment to let you know about some changes that have happened recently. The business of my current broker/dealer, CJM Planning Corp., was acquired by Genworth Financial Securities Corp. during the last week of October 2005. At the close of this transaction, my registration wastransferred to Genworth Financial Securities Corp. and its affiliated companies. This move requires no action on your part and most importantly will not affect the investments you have through me. I do not want you to be surprised or alarmed in any way when you see a new broker/dealer name on future statements.

I am looking forward to our relationship with Genworth Financial Securities Corp.. Genworth Financial Securities Corp. received the "Award of Excellence" by CPA Wealth Provider magazine for outstanding leadership in financial planning in 2003 and 2004. Their training and support is among the best in the financial services industry. This will allow me to stay up-to-date on the most important financial services information, so I can provide you the best services possible.

I see a great future with many additional opportunities at Genworth Financial Securities Corp., and I pledge to continue to service you as I have in the past. Should you have any questions at all, please contact me. I look forward to a long and prosperous relationship.

Bruce A. Barker Jr.
Registered Representative

Bruce.Barker@genworthrr.com
207-794-8563, 800-501-8563
29 Lee Road
Lincoln, ME 04457

OFFERING THE FOLLOWING PRODUCTS AND SERVICES:

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BARKER BUSINESS SERVICES INC.

29 Lee Road
Lincoln, ME 04457

Phone: 207-794-8563, 800-501-8563
Fax: 207-794-2814

Email: for tax, payroll, accounting and other business services
Bruce Barker Sr: bbarker@barkerbusiness.com
Bruce Barker Jr: barkerjr@barkerbusiness.com

Barker Business Services

Open Year-Round

We're on the web!

www.barkerbusiness.com

Barker Business Services Inc. is owned and managed by Bruce A. Barker Sr. and Bruce A. Barker Jr.

Bruce Sr. graduated with a BS degree majoring in accounting from the University of Maine in 1962 and the University of Wisconsin Graduate School of Banking in 1976. Bruce was employed by the State of Maine for 14 years as a bank examiner and has also been the office manager for two General Motors dealerships prior to starting his own business in 1989. Initially the Business was known as Triple Check (a franchise) Tax and Business Services, but went fully independent as Barker Business Services in 2001. In 1998 Bruce passed the E.A. exam and is enrolled to practice before the IRS. With over 25 years accounting, banking, and tax preparation experience Bruce has been serving clients in the Greater Lincoln Maine area since 1976.

Bruce Jr. joined him in the fall of 2001 following a 20 year Air Force career. While assigned to K.I. Sawyer A.F.B., Michigan and Dyess A.F.B., Texas Bruce prepared income taxes for military members and retirees as an IRS VITA volunteer. He graduated with an associate's degree from the Community College of the Air Force in 2001. In December of 2002 Bruce passed the NASD investment products series 6 exam and is now able to offer financial services through Genworth Financial Securities Corp. as a Registered Representative.

Whether its tax time or tax planning, payroll or accounting services, or help with retirement or investment and savings plans call Bruce or Bruce Jr. today.

WIN

All *completed 2005 Income Tax return clients will be entered in our drawing for $100. Winner to be drawn at 5 pm on April 18, 2006.

Last Year's winner was Dennis & Judy McComb of Lincoln.

Take $10 off your next fee for each **new tax client you refer.

* To be eligible for the $100 drawing the tax return must be completed by Barker Business Services and picked up by 4:30 pm April 18, 2006.

** New tax client must have their tax return completed by Barker Business Services. The return may be an extended return.

Personal & Business Income Tax Preparation * Payroll & Sales Tax Return Preparation
Payroll Processing * Accounting * Bookkeeping * Financial Statements * Financial Services