

The HSA contribution is prorated based on the number of months of the year a taxpayer is an eligible individual. The catch-up contribution is prorated based on the number of months of the year the taxpayer is age 55 and over. For details, go to www.irs.gov and search for "HSA deduction."

OPTION TO SPLIT REFUNDS BETWEEN ACCOUNTS

Taxpayers have more options and flexibility for choosing how to receive their 2007 federal income tax refunds. In addition to direct deposit to one account or receiving a paper check, taxpayers can opt to split their refunds among two or three checking or savings accounts with U.S. financial institutions, regardless of which form in the 1040 family they file or whether they file electronic or paper returns. Individuals electing this split refund option must file Form 8888, Direct Deposit of Refund to More Than One Account, available on the IRS website.

TAX FILING RESOURCES

Free Tax Preparation

Need assistance with your tax return? The IRS Volunteer Income Tax Assistance (VITA) or the Tax Counseling for the Elderly (TCE) programs offer free tax help if you qualify. Learn the locations, dates and hours of the VITA and TCE programs by calling this toll-free number: 1-800-TAX-1040. In addition to free tax return preparation, many sites also offer free electronic filing (e-filing).

Electronic Tax Filing

The IRS e-file program (electronic filing of returns) is a safe, accurate way for taxpayers to quickly complete their taxes and get a refund faster. Last year, almost 80 million tax returns were filed using e-file. You can e-file three ways:

- **E-File Using a Computer:** Go to www.irs.gov and click the e-file logo to review the options for low-cost – and even free – tax filing.
- **E-File Using a Telephone:** Call 1-800-TAX-1040.

- **E-File Using a Tax Preparer:** Click the e-file logo at www.irs.gov for an authorized IRS e-file Provider.

YOU CAN ESTIMATE YOUR TAXES ONLINE!

The IRS provides an online calculator to help taxpayers estimate their withholding requirements and potential tax liability. To use this online tool, log on to www.irs.gov, click "Individuals" in the top bar, then click "IRS Withholding Calculator" in the list of options.

TAKE ADVANTAGE OF IRS DIRECT The safe, easy, quick way to get your tax refund!

Include your credit union routing number and your account information directly on your 1040 form in the section labeled "Refund."

⑆ 23456789 ⑆ 0123456789 ⑆ 053 ⑆

Credit Union
Routing Number
(9 digit number)

Individual's
Account Number



Presented by the National Association of Federal Credit Unions, an independent trade association representing federally chartered credit unions nationwide.

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TAX GUIDE 2007

Savings tips ... filing tips ...
getting help ... tax resources ...
for preparing your 2007 tax return



TAX PLANNING NOW CAN HELP YOU TO SAVE MONEY AT TAX TIME!

As you begin to prepare your taxes for 2007, now is a good time to look ahead and see how you might reduce your taxes in 2008. Are you having enough withheld from each paycheck? Or perhaps too much is being taken out. Can you expect a refund ... or will you owe taxes this year? Where can you get help ... and where can you find answers to your tax questions?

Your credit union offers these timely tips to help you get a head start on this year's tax season. As always, consult with your tax advisor about your personal tax situation.

Note: For the 2007 tax year, the federal tax filing deadline is Tuesday, April 15, 2008.

TAX LAW CHANGES FOR INDIVIDUALS

Standard Deduction

Basic amounts for 2007 are:

- Head of household – \$7,850
- Married filing jointly and qualifying widow(er)s – \$10,700
- Married filing separately – \$5,350
- Single – \$5,350

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return. To learn if you qualify, you can use the EITC Assistant at www.irs.gov (search for “Earned Income Credit”).

For 2007, the maximum amount of the credit has been increased as follows:

- \$2,853 if you have one qualifying child
- \$4,716 if you have more than one qualifying child
- \$428 if you do not have a qualifying child

The maximum amount of income you can earn and still get the EITC has also increased for 2007. You may be able to take the credit if:

- You have more than one qualifying child and you earned less than \$37,783 (\$39,783 if married filing jointly)
- You have one qualifying child and you earned less than \$33,241 (\$35,241 if married filing jointly)
- You do not have a qualifying child and you earn less than \$12,590 (\$14,590 if married filing jointly)

The maximum amount of adjusted gross income (AGI) you can have and still get the credit has also increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you.

Standard Mileage Rates

For 2007, the allowable deductions for the standard mileage rate are as follows:

- Business miles: 48.5 cents a mile
- Medical or moving reasons: 20 cents a mile
- Charitable services: 14 cents a mile

Exemption Amount

The exemption deduction has increased to \$3,400. The amount at which the exemption deduction phase-out begins is:

- \$117,300 – Married filing separately
- \$156,400 – Single
- \$195,500 – Head of household
- \$234,600 – Married filing jointly or qualifying widow(er)s

IRA CHANGES

AGI Limit for Traditional IRAs

For 2007, if you are covered by a retirement plan at work, the deduction for contributions to a traditional IRA will be reduced if your modified adjusted gross income (AGI) is:

- Married filing a joint return or qualifying widower: More than \$83,000 but less than \$103,000

- Single or head of household: More than \$52,000 but less than \$62,000
- Married filing separately: Less than \$10,000

Maximum Traditional or Roth IRA Contribution:

\$4,000 (\$5,000 if age 50 or older)

ALTERNATIVE MINIMUM TAX (AMT): CONSULT YOUR TAX ADVISOR

The alternative minimum tax (AMT) is a separately figured tax that eliminates many deductions and credits, thus increasing tax liability for an individual who would otherwise pay less tax. The AMT was originally developed to prevent people with very high incomes from using special tax benefits to pay little or no tax. However, the AMT has been affecting more and more people each year. Late in 2007, Congress passed new legislation amending the AMT. Be sure to ask your tax advisor if these changes will affect you.

TAX BREAKS TO KNOW ABOUT

Be sure to check out these tax breaks to learn if you are eligible:

Tax Information for Members of the U.S. Armed Forces

The tax laws provide some special benefits for active members of the U.S. Armed Forces, including those serving in combat zones. For federal tax purposes, the U.S. Armed Forces includes officers and enlisted personnel in all regular and reserve units controlled by the Secretaries of Defense, the Army, Navy and Air Force. The Coast Guard is also included, but not the U.S. Merchant Marine or the American Red Cross. However, these and other support personnel may qualify for certain tax deadline extensions because of their service in a combat zone. For information: www.irs.gov/newsroom (click “Armed Forces”).

Health Savings Account (HSA) Maximum Annual Contribution

- Individual, self-only coverage: \$2,850
- Family coverage: \$5,650
- Individual catch-up contributions for persons 55 or older: \$800