

## HOW TO GET YOUR FEDERAL EXCISE TAX REFUND

PETER PFISTER, CPA

Good news from Uncle Sam! In May 2006, the IRS announced that individuals, businesses and tax exempt organizations can apply for a refund of the federal long-distance telephone excise tax. The tax was created initially to pay for the Spanish-American War.

Form 8913 has been created to apply for the refund. The form is filed with the 2006 tax return. The excise tax refund covers the telephone bills from March 2003 to July 2006 (41 months).

There are two methods available to calculate the refund. The first method allows the taxpayer to calculate the actual long-distance excise tax. This means reviewing bills from the 41-month period. We don't recommend this method.

The second method follows a formula which is shown below:

### INDIVIDUALS

Individuals can use a standard amount based on exemptions claimed as follows:

Exemptions	Amount
1	\$30
2	\$40
3	\$50
4	\$60

### BUSINESSES AND TAX EXEMPT ORGANIZATIONS

The formula works as follows:

1. Using the April 2006 bill – calculate the excise tax percentage (divide tax paid over total phone bill)
2. Using the September 2006 bill – do the same. The percentage should be lower since this is the first bill that the long-distance excise tax is not collected.
3. Subtract the September percentage from the April percentage. This is the percentage that represents the long-distance tax.
4. Multiply the percentage from step 3 by the total telephone bills for the 41 months.

If the entity has less than 250 employees, the step 4 percentage calculated is capped at 2%. If greater than 250 employees, the percentage cap is 1%. The number of employees is determined by the number reported on the second quarter Form 941 (Employers Quarterly Federal Tax Return), which reports gross wages and taxes withheld.



### IN THIS ISSUE...

#### Featuring

How To Get Your Federal Excise Tax Refund

#### Tax News

IRS Tax Form Changes

SSI Benefits to Rise

April 17<sup>th</sup> Filing Date

#### Featured Employee:

Diane Pinho

#### Curchin News

Curchin Raises Over \$8,000 For Charity

Dave Ferullo Named President of CAI-NJ

Curchin Welcomes Roy H. Kvalo; Joseph L. Marino and Anthony Turano

For step 4, telephone expense reported on tax returns can be used to determine the total telephone expense for the 41 month period instead of reviewing actual bills.

The refund application also includes individual owners of rental properties and self-employed people. However, in order to use the formula gross rental or business income must total more than \$25,000.

If an entity only operated for part of the 41-month period, the formula method is not allowable. A refund can only be requested for months for which the excise tax was paid.

No direct IRS audit will occur. The refund form would be subject to audit should the 2006 tax return be selected for audit. The telephone tax refund can be applied by the IRS for other taxes owed.

The refund is taxable income to the business taxpayer since the excise tax was deducted in a prior tax year. The refund is not taxable to individuals unless deducted in a prior year as part of business expenses. If you have any questions regarding the Federal Excise Tax Refund, please contact me at 732.747.0500 or @ ppfister@curchin.com.

## Featured Employee



(Diane Pinho, CPA pictured with her husband, Tony and son, Nicholas)

Diane Pinho, CPA had an untraditional start into the accounting profession. She began her career as a hair dresser after graduating from cosmetology school in 1986. After she married in 1994, Diane decided to explore other career options through taking courses at Georgian Court University based in Lakewood, New Jersey. When she took her first accounting course, she discovered that she had a knack for numbers.

Diane graduated with a degree in business and accounting in 2000 and passed the CPA exam shortly thereafter. After a short internship with another firm, she began working at Curchin and has been employed with the firm ever since. Now a mother to 4 year old Nicholas, Diane appreciates being able to maintain a work-life balance. When asked about her favorite part of her job, Diane explained, "I love the client interaction and the feeling of satisfaction from helping them achieve their goals."

## ★ ★ ★ ★ ★ TAX NEWS

### IRS Tax Form Changes Due to Recent Legislation

Your tax form may look different this year due to recent legislation. Here are some things to watch out for:

- Taxpayers claiming a **tuition and fees deduction** should report amounts on **Line 35**, which is designated as the manufacturing production deduction.
- The **above-the-line deduction for educational expenses** should be reported on **Line 23**, which is designated for the Archer Medical Savings Account. Note that taxpayers should put an "E" next to the amount.
- The **state sales tax deduction** is an itemized deduction that must be claimed on **Schedule A**. Taxpayers should report the amount on **Line 5** with the designation "ST."

### Social Security, SSI Benefits to Rise by 3.3 Percent in 2007

Social Security and Supplemental Security Income (SSI) benefits will increase by 3.3 percent in 2007, according to the Social Security Administration (SSA). The rates for Old-Age, Survivors and Disability Insurance (OASDI) and Medicare Hospital Insurance (HI) taxes will remain unchanged at a combined 7.65 percent in 2007, but the maximum taxable earnings for OASDI purposes will rise from \$94,200 to \$97,500. For Social Security beneficiaries, the average monthly benefit amount for all retired workers will rise from \$1,011 to \$1,044, and the maximum monthly benefit will increase from \$2,053 to \$2,116. The monthly SSI federal payment standard for an individual will rise from \$603 to \$623; for a couple, the payment will increase from \$904 to \$934.

### Taxpayers Have Until April 17th to File Form 1040

The IRS has announced that taxpayers will have until Tuesday, April 17, 2007 to file 2006 individual tax returns (and certain other forms) and pay any taxes due. The filing date was extended because April 15 falls on a Sunday in 2007 and the following day, April 16, is Emancipation Day, a newly instituted legal holiday in the District of Columbia.



## The First Annual Curchin Open Miniature Golf Tournament for Charity Raises Over \$8,000.



*Bob Fouratt; Carolyn Kvalo; Lee Marconi of Monmouth Council Boy Scouts of America; Peter Pfister; Lynn Conover; Kim Melski*

Curchin hosted the first annual "Curchin Open," a nine hole miniature golf tournament for charity, on September 21, 2006 at its Red Bank office. This event raised over \$8,000 for two locally-based charities – Monmouth Council Boy Scouts and Michael's Feat, an organization established to support, give comfort, and ease the burden for parents caring for seriously ill newborns in Monmouth and Ocean counties. Over 25 companies sponsored the nine-hole, man-made golf course and 5 companies sponsored the fantasy golf scratch-off competition.

*Look for information on the 2007 Curchin Open in future editions of The Navigator.*

## Curchin Partner Dave Ferullo Named President of the New Jersey Chapter of the Community Associations Institute

Partner David L. Ferullo, CPA, was elected President of the New Jersey Chapter of the Community Associations Institute ("CAI-NJ"). CAI is a national organization that is dedicated to fostering vibrant, competent, harmonious community associations through member education and advocating legislative and regulatory policies that support responsible community association governance and effective management. Ferullo has been an active member of CAI-NJ for over 25 years and specializes in providing auditing, tax, financial consulting and litigation support to the community association industry.

## The Curchin Family Grows



*Roy H. Kvalo*



*Joseph L. Marino*



*Anthony Turano*

Curchin welcomes three new additions to its growing team. Roy H. Kvalo, CPA/ABV, CVA is the firm's new Director of Valuations & Litigation Services. He has over 20 years of experience working with businesses and attorneys on commercial and matrimonial litigation as well as valuations for estate and gift tax and buy-sell agreements.

With over 15 years of professional experience, Joseph L. Marino, CPA has joined the firm as a Manager. Joe will provide accounting, audit and tax services to businesses and individuals across a broad range of industries. Finally, recent graduate, Anthony Turano, joined Curchin in January as a Staff Accountant. Anthony comes to Curchin with a BBA in Accounting from Ramapo University.

## Mark Your Calendars

In partnership with the Northern Monmouth Chamber of Commerce, Curchin is hosting a



# CINCO DE MAYO ¡FIESTA!

**MAY 3, 2007**  
**5:30 - 7:30 PM**

**\$15 MEMBERS**  
**\$25 NON-MEMBERS**

*Reservations Required*

Come and enjoy our Salsa Bar, Mexican appetizers, and lots of Sangria!

For more information contact Dawn Grossi at [dgrossi@curchin.com](mailto:dgrossi@curchin.com) or at 732.747.0500

# CURCHIN

Celebrating over 50 years in Monmouth County, New Jersey, The Curchin Group helps small to mid-sized businesses and individuals reach their financial goals through providing a broad range of Assurance; Tax; Financial Planning; and Business Advisory Services. The firm is dedicated to giving solid financial advice, sustaining long-term relationships with its clients and employees and giving back to the surrounding community. For more information about Curchin, please contact Bob Fouratt at 732.747.0500 or [bfouratt@curchin.com](mailto:bfouratt@curchin.com)



*Bob Fouratt; Doug Stives; Dave Ferullo; Lynn Conover; Carolyn Kvalo; Peter Pfister*

## **The Curchin Group LLC**

**Assurance Services :: Tax :: Financial Planning :: Business Advisory**

125 Half Mile Road / Red Bank, NJ 07701  
Tel. (732) 747-0500 / Fax. (732) 747-7700  
[www.curchin.com](http://www.curchin.com) / [info@curchin.com](mailto:info@curchin.com)



**CURCHIN**

125 Half Mile Road  
Red Bank, NJ 07701