



New Long-Distance Telephone Tax Refund

Dear Individual Client:

This letter is to alert you to an issue which will need to be reflected on your 2006 federal individual income tax return. In May of 2006 the IRS announced that individuals who paid the federal long-distance telephone excise tax (reported on most bills as the 3% excise tax) can request a refund on their 2006 federal individual income tax returns. The refund period extends from March, 2003 through July, 2006, a period of 41 months. Individuals have two options for determining their long-distance telephone excise tax refunds.

Option 1 uses a standard chart based on the number of exemptions allowed to the taxpayer, with a minimum and maximum allowable refund of \$30 to \$60.

Option 2 uses the actual tax paid on phone bills for the 41 month period and can only be used if you have the actual phone bills to substantiate the amounts of federal long-distance telephone excise tax. Please note where excise tax is charged for both local and long-distance services only the excise tax attributable to long-distance charges may be available for the refund.

Individual Owners of Rental Property and Self-Employed Individuals have an additional option available to them based on actual excise tax charges for their April, 2006 and September, 2006 business telephone bills combined with the actual individual excise taxes on the 41 months worth of personal telephone bills. Please note that only individuals with gross rental and business income of greater than \$25,000 can use this additional method. In addition, any refund of the telephone excise tax received will be includible in income in the year received if the excise taxes were deducted previously from business income.

If You are Otherwise not Required to File a Federal Income Tax Return for 2006 you must nevertheless file Form 1040EZ-T to request the refund. This is a one page tax form that was specifically designed for individuals who would not otherwise be required to file a federal income tax return to claim the telephone excise tax refund.

For whichever option chosen, the amount of the refund will be requested on your 2006 federal individual income tax return. For your convenience, we have attached a worksheet that will help you calculate your refund under both the standard and actual methods. Please let us know if you would like help in determining how this refund opportunity applies to you.

If you have any questions please call your ODMD client service partner.

Sincerely,

O'Connor Davies Munns & Dobbins, LLP