

PRESS INFORMATION
For Immediate Release

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Liberty Tax Service Reviews Tax Changes for Filing a 2007 Return

(Virginia Beach, VA) As tax booklets arrive in the mail after the holiday cards, consumers are reluctantly turning their thoughts to taxes, and what tax issues are in store for filing a 2007 return. Liberty Tax offers this review of some of the more significant tax changes to keep in mind now, and for future planning.

“Be aware of tax deductions that may be expiring, and may not be renewed for 2008 such as the tuition and fees deduction for higher education,” said John Hewitt, CEO of Liberty Tax Service. “This year, there’s a new tax deduction for some mortgage insurance premiums.”

Alternative Minimum Tax (AMT): This year, taxpayers paying the AMT will experience more of a flat tax by not being able to claim many credits allowed in the past. These include credits for child and dependent care expenses, elderly or disabled, education, mortgage interest, and the first-time homebuyer credit for District of Columbia residents. The Temporary Tax Relief Act of 2007 extends the current AMT thresholds with a temporary one year “patch.” For 2007, AMT exemptions are \$66,250 for married couples filing jointly, and \$44,350 for single filing taxpayers.

First time break for the mortgage insurance premium: The mortgage insurance premium deduction debuts in 2007, and will stay in effect through 2010. This tax break allows low and middle income homeowners with adjusted gross incomes up to \$100,000 to deduct mortgage insurance premiums. The deduction is phased out for higher income levels.

Charitable contributions change: You must have a receipt or written documentation for any charitable donation to be allowed, and donated items must be in good condition.

If you plan to donate a used car to a nonprofit organization, you may not be able to claim the total “blue book value” of the car. The IRS has placed limitations on the amount that may be deducted for a vehicle donation.

State and local sales tax deduction: Taxpayers who itemize their deductions and live in one of the states without a state income tax may deduct their state sales tax or their state income tax, whichever is more advantageous.

Tuition and fees deduction: Qualifying higher education expenses such as tuition and fees paid for yourself, a spouse, or a dependent are again deductible as an adjustment on Form 1040. The allowable amount is up to \$4,000 for those filing with adjusted gross incomes (AGIs) of \$65,000 or less (or \$130,000 for those who are married filing jointly). The allowable amount is \$2,000 for taxpayers with AGIs of up to \$80,000 (up to \$160,000 if married filing jointly).

Educators’ \$250 deduction for supplies: Eligible educators who have spent their own money for qualified classroom supplies can deduct up to \$250 as an adjustment on Form 1040, regardless of whether they are able to itemize deductions. Any amount exceeding \$250 may be claimed as an itemized deduction.

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First-time homebuyers' credit continues for District of Columbia residents: This is in effect for filing a 2007 return.

Residential energy credit: Residential energy credits apply to homes, houseboats, mobile homes, condominium, and qualifying manufactured homes and include the costs of certain items and the labor costs. This is slated to expire in 2008.

The credit covers costs and labor for installing insulation, storm windows and doors, electric heat pump water heaters, electric heat pumps, geothermal heat pumps, central air conditioners, and natural gas, propane, or oil water heaters. Natural gas, propane, or oil furnaces or hot water boilers may qualify as well as main air circulating fans used in these devices. The maximum credit available for qualifying improvements is a total of \$500 for all tax years after 2005.

One time transfer from IRA To Health Savings Account (HSA): Taxpayers can do this only once: transfer the maximum contribution amount made in a year to a Health Savings Account from an IRA to the HSA. This amount is neither taxable nor deductible, and reduces the HSA contribution for the year.

Mileage Deductions for 2007 and 2008:

- Business mileage: to 50.5 cents per mile in 2008 from 48.5 cents per mile in 2007
- Medical or moving mileage: to 19 cents per mile in 2008 from 20 cents per mile in 2007
- Charitable mileage: stays at 14 cents per mile for 2007 and 2008

About Liberty Tax Service:

Liberty Tax Service is the fastest growing retail tax preparation company in the industry's history. Founded in 1997 by CEO John T. Hewitt, a pioneer in the tax industry, Liberty Tax Service (www.libertytax.com) has prepared over 5,000,000 individual income tax returns and currently operates over 2,700 offices throughout the United States and Canada.

Liberty Tax Service provides computerized income tax preparation, electronic filing and refund loans. With an emphasis on customer service including audit assistance, a money back guarantee, and free tax return checking, Liberty Tax Service is well known for its strong commitment to its client base.

With 38 years of tax industry experience, Hewitt stands as the most experienced CEO in the tax preparation business, having also founded Jackson Hewitt Tax Service (NYSE: JTX).