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May 23, 2006

**RE: Tax Increase Prevention and Reconciliation Act of 2005**

On May 17, 2006, President Bush signed the Tax Increase Prevention and Reconciliation Act of 2005 (the "Act"). The major provisions of the Act are as follows:

**New and Extended Tax Breaks**

- The AMT exemption amount for married taxpayers increases to \$62,550 and for individual taxpayers to \$42,500 for 2006. Also, taxpayers may claim their nonrefundable personal tax credits (e.g. credits for child and dependent care expenses, the child tax credit and education credits) to the full extent of their regular tax liabilities and AMT liabilities.
- The 15% tax rate for capital gains and dividends is extended through 2010.
- The increased \$100,000 limitation on § 179 small business expensing is extended through 2009.

**Revenue Raising Provisions**

- The "kiddie tax" age limit increases from age 14 to 18 for tax years after 2005, which means that a child who has not attained age 18 by December 31 in a given tax year will be taxed at his or her parents' income tax rates to the extent that such child has unearned income (e.g. interest, dividends and capital gains) for the tax year, unless the child is married and filing a joint return.
- For purposes of the 50% W-2 wage limit for determining a taxpayer's § 199 domestic production deduction, the taxpayer is limited to 50% of the W-2 wages allocable to domestic production gross receipts rather than 50% of all W-2 wages.
- The \$100,000 modified AGI limit on conversions of traditional IRAs to Roth IRAs is eliminated for tax years ending after December 31, 2009.

If you have any questions regarding the above provisions or the Act, please contact us. We hope that you found this information useful. ***If you would prefer to have this newsletter sent via email, please send an email to [gg@gelntaxlaw.com](mailto:gg@gelntaxlaw.com) with the subject line "newsletter."***

Very truly yours,

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