



FROM THE DESK OF MORGAN D. KING OCT. 1, 2007

EFFECTIVE TODAY: NEW LIVING EXPENSES STANDARDS FOR OFFERS & INSTALLMENT PLANS

RS Issues Redesigned Allowable Living Expense Standards

Allowable Living Expense Redesign Changes to the 2007 ALE Standards

To promote better consistency and fairness, the IRS has revised the methodology for calculating some of the Allowable Living Expense standards used in collection determinations. These changes will be reflected in the 2007 standards which will become available and effective October 1, 2007.

The Allowable Living Expenses rely solely on the Bureau of Labor Statistics (BLS) and other governmental expenditure figures, which are based on surveys of actual consumer expenditures and provide a fair basis for allowances.

Elements of the redesign include:

New Category – Health Care (medical services, prescription drugs and medical supplies)

A new table based on MEPS (Medical Expenditure Panel Survey) expenditure data has been established for a minimum allowance for out-of-pocket health care expenses using an average household standard amount per person for taxpayers and their dependents under 65 and those individuals that are 65 and older.

The health care standard has been established as a floor on a per person basis and does not require taxpayer documentation unless the amount claimed exceeds the standard.

National Standard Expenses (food, housekeeping supplies, apparel and services, personal care products and miscellaneous)

Alaska and Hawaii are included in the continental U.S. national standards, creating one set of tables for the entire nation.

Income ranges for national standard allowances have been eliminated, allowing for the consistent treatment of all taxpayers regardless of income.

Housing and Utility Expenses (mortgage or rent, property taxes, interest, maintenance and repair, insurance; gas, electricity, water, heating oil, garbage collection, telephone and cell phone)

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Standards for Housing and Utilities have been expanded to include categories for households of 1, 2, 3, 4, and 5 or more.

An allowance for cell phone costs based on BLS expenditure data has been included in the Housing and Utility standards.

Transportation Expenses (vehicle payments, maintenance, insurance, fuel, registrations, licenses, inspections, parking and public transportation costs)

The public transportation allowance has been removed from vehicle operating costs resulting in a reduction of operating costs allowed.

The ownership and operating cost allowances for a second vehicle are the same as the allowances for the first vehicle due to the elimination of the current reduction for expenses of a second vehicle.

There is a single nationwide allowance for public transportation based on BLS expenditure data for mass transit fares (bus, train, taxi, etc.) for travel between and within cities. The public transportation allowance replaced the no car allowance. This allowance has been reduced as a result of cruise and airplane travel costs being eliminated from the no car standard. The revised public transportation allowance is established as a floor for individuals without a vehicle, and does not require taxpayer documentation unless the amount claimed exceeds the standard.

To access the revised figures - <http://www.irs.gov/individuals/article/0,,id=96543,00.html>

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