

Congress Passes Several Tax Cuts Benefiting Texas

December 7, 2005 Congressman Ron Paul joined an overwhelming majority of his congressional colleagues in voting to pass several tax cuts this week, including measures that directly benefit Texans. Several new tax provisions provide specific relief for those living in counties affected by Hurricane Rita earlier this year. All of the new tax provisions will be available for individuals and businesses filing their 2005 returns. Below are summaries of some of the specific tax cuts passed by Congress this week:

Texans can continue to deduct sales taxes from their income taxes in 2006, assuring parity with taxpayers who deduct state income taxes;

Individuals affected by Rita can withdraw money from their IRA or pension plan without incurring penalties;

Small employers who continued to pay employees in the aftermath of Rita can claim significant tax credits;

Individuals can deduct casualty losses resulting from Rita regardless of adjusted gross income;

Military personnel can use tax-free combat pay as income to receive the earned income tax credit;

Individuals can deduct higher education expenses regardless of whether they itemize;

Teachers can deduct the cost of classroom supplies regardless of whether they itemize;

Higher exemption levels for the dreaded Alternative Minimum Tax (AMT) are extended; and

Lower tax rates for dividend and interest income are extended.