



Welcome to Tax News

In addition to providing tax preparation and personal financial planning services to our clients we will be preparing a weekly newsletter of relevant information that will strive to help you achieve your financial goals and lower your taxes.

In each weeks newsletter you will find:

- ◇ A calendar of upcoming tax deadlines
- ◇ A web site of the week that is relevant to business or taxes
- ◇ A question of the week that will be appropriate to most taxpayers situations
- ◇ Tax tips that will help reduce your taxes
- ◇ Plus much more

Enjoy the read and profit from the experience of Tax News

In Today's Issue

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Dozens of Others May Be Involved in Tax-shelter Scam

State and Federal investigations into offshore trusts involving Dallas billionaires Sam and Charles Wyly could involve dozens of other corporations and executives who used a similar tax shelter.

The Wyly brothers in the 90s are believed to have set up offshore trusts to hold stocks and options in the names of family members.

The brothers claim the trusts were set up to benefit their family members and some charities but regulators believe that they were set up as tax shelters.

It is believed that the Wyly's are cooperating with all inquiries but are maintaining their innocence on the tax shelter accusations.

The Internal Revenue Service has said that as many as 42 corporations and many more executives may have been involved in "an abusive tax avoidance transaction" which involved the transfer of stock options to family-controlled trusts.

Earlier this year, it was reported that the U.S. Securities and Exchange Commission and the New York County district were examining stock transactions between these trusts and the company's chairman, Charles J. Wyly, and vice chairman, Sam Wyly.

According to reports, during the 1990s, Bank of America advised the Wyly brothers on tax matters and is also under scrutiny by regulators.

The Wyly brothers set up numerous trusts on the Isle of Man, a small but well-known tax haven in the Irish Sea.

It has now become known, that the Wyly brothers are not the only ones who used the popular stock-option transaction marketed by Bank of America.

The IRS earlier this year released a statement saying that it had identified 42 corporations and many more executives with an unreported income of more than \$700 million, that had been involved this trust option.

In a May 19 statement, IRS Commissioner Mark Everson was reported as saying that the transfer of stock-options to family-controlled entities was an abusive tax transaction.

However the offshore trusts and related transactions are complex and often misunderstood which makes it even more important to have such an investigation.

While Bank of America, is believed to have been involved in the family-controlled trusts, it is also understood that several different financial institutions and experts advised the Wyly.

Investigations are still continuing.



Dates For The Diary

June 10

◇ Employees who work for tips. If you received \$20 or more in tips during May, report them to your employer. You can use Form 4070.

June 15

◇ Individuals. If you are a U.S. citizen or resident alien living and working (or on military duty) outside the United States and Puerto Rico, file Form 1040 and pay any tax, interest, and penalties due. If you want additional time to file your return, file Form 4868 to obtain 2 additional months to file. Then, file Form 1040 by August 15.

Tax News

Puerto Rico's Corporate Tax Break Expires

After nearly 30 years of corporate tax breaks that allowed U.S. corporations to be exempt from paying taxes on any federal income made from a Puerto Rico subsidiary.

Thanks to section 936 of the Internal Revenue Code, U.S. corporations flocked to the island, creating jobs and boosting the banking industry, which profited from high liquidity and low rates.

Retained earnings deposited in Puerto Rican banks by the so-called Section 936 corporations totaled \$7.6 billion in 1995 but fell to only \$750 million in December 2004.

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Tax Tidbits

- ◇ Using a trust for the benefit of your children or grandchildren for educational purposes can involve somewhat complex planning. It is recommended that you consult a financial planner for the best avenues as there are a variety of trusts available.
- ◇ Stock transactions create capital gains and losses, which are reported on Schedule D. Any net loss exceeding \$3,000 need to be carried over to subsequent years. Be aware of wash sale. If you sell a stock at a loss and buy it again within 30 days before or after the sale, you cannot deduct the loss, but the loss increases the basis of the replacement stock.

News From The IRS



Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

IRS To Close Selected Assistance Centers

Last week the Internal Revenue Service announced that it plans to close a portion of its Taxpayer Assistance Centers as part of the agency's continuing efforts to modernize operations and reduce costs.

The IRS currently operates 400 Taxpayer Assistance Centers (TACs) that provide walk-in service for taxpayers, the agency will close 68 of those locations following an extensive review.

The decision for closure was based on five criteria, with multiple components, such as workload considerations, geographic factors, demographics, employee costs and facility costs.

The closures also reflect changes in how taxpayers are now filing and accessing tax information. In recent years, the use of e-filing and the IRS website, has increased significantly, while face-to-face interaction with taxpayers has declined.

This year, the majority of tax returns were filed electronically, marking the first time ever that e-filing outnumbered paper returns.

By adjusting the number of TAC sites, it is believed that it will allow the IRS to focus on providing more efficient services, at the same time, taxpayers will still have access to a variety of IRS services, by phone and the irs.gov site.

For information on the actual centers facing closure, and more information on the Taxpayer Assistance Centers, visit the IRS website at www.irs.gov.au.



What's On Offer

At Taxlogic, the accountants are all professionals with over 25 years experience in the taxation industry with an extensive knowledge and focus on electronic filing.

By using the team at Taxlogic to prepare and file your tax returns, not only will you be given excellent service, but you will also be treated like a person not just a number.

From any computer, anywhere in the world, 24 hours a day, seven days a week Taxlogic can help you with your tax preparation.

As well as the ability to prepare personal tax returns the team at Taxlogic also are very knowledgeable with corporate/business returns for the current or previous years.

The team also provide services to help with company formations, annual minutes for corporations and payroll preparation.

Bookkeeping courses and weekly newsletters are provided by Taxlogic to help keep you informed on the latest and greatest of all things tax orientated.

Help can also be given when preparing your employee handbooks

For all things tax related, look no further than the team at Taxlogic.

Strange But True

China Eliminating Tax Breaks For Foreigners

At the beginning of 2007, China will eliminate tax breaks for companies backed by foreign investors, requiring them to pay the same tax rates as Chinese competitors.

As reported recently the step will bring tax rates for foreign-financed companies in line with those charged to Chinese companies in an effort to create fair competition among all businesses.

Foreign backed companies currently pay tax at about half the 33 percent rate paid by private Chinese firms, it is believed to cost the Chinese treasury at least \$50 billion (US) a year in tax revenue.

The policy has led to numerous complaints by Chinese firms that they are at a financial disadvantage.

Under the new plan, foreign-backed companies will get a five year transition period, so that foreign investors who enter China before 2007 will still enjoy the current tax rates until 2001 however firms that enter the market after 2007 will have to pay the full tax rate.

More Tax News...

Afghans to Pay First Ever Income Tax

Afghans and foreigners working in the country are going to have to start paying tax on their incomes soon, as the government strives to increase its revenue.

As of September 23rd, all businesses with two or more employees will be required to pay the wage tax.

The aim of the tax is to boost the government budget, half of which is being paid by foreign aid.

The International Monetary Fund and World Bank are advising Afghanistan how to start a tax regime after a quarter-century of conflict and chaos.

The new tax will be set at a rate of 10 per cent on income over 12,500 afghanis (\$250) a month, while income over 100,000 afghanis (\$2,000) a month will be taxed 20 per cent.