



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

U.S. Energy Bill Steaming Towards the Senate

A wide-ranging energy bill has moved through Congress this week which includes more than \$8.5 billion in tax incentives and billions of dollars more in loan guarantees and other subsidies for the electricity, coal, nuclear, natural gas and oil industries...

Tax Tidbits

Some Useful Tax Tips

News From The IRS

IRS Commissioner Full of Praise for Congress Funding

Strange But True

Man Sentenced in Back Fraud Scheme

Money Funny

Give.....And you shall

U.S. Energy Bill Steaming Towards the Senate

A wide-ranging energy bill has moved through Congress this week which includes more than \$8.5 billion in tax incentives and billions of dollars more in loan guarantees and other subsidies for the electricity, coal, nuclear, natural gas and oil industries.

According to a spokesperson from the White House, it is believed that President George W. Bush hopes to sign the bill soon.

Efficiency and conservation programs would receive about \$1.3 billion of the more than \$14.1 billion in total tax breaks over 10 years, according to lawmakers already briefed on the bill. About \$3 billion in tax breaks would go towards renewable energy source, mostly to subsidize wind energy.

The nuclear industry could reap major benefits, including "risk insurance" totaling \$2 billion if there are delays in construction of the first six new nuclear power reactors.

The bill also provides loan guarantees for future reactors and a green light for building a \$1.25 billion next-generation nuclear plant that could produce hydrogen as well as electricity.

The legislation also boosts the coal industry with loan guarantees and \$2.9 billion in tax breaks mostly for development of technology to make coal more environmentally friendly and develop ways to capture climate-changing carbon emissions. Oil and gas producers would get \$1.5 billion in tax breaks as well as royalty relief for certain deep-well drilling.

A \$500 million program, paid for by royalty relief, would help oil companies drill for oil in extremely deep waters of the Gulf of Mexico with another \$1 billion earmarked for coastal restoration in five states with offshore oil production. All eyes are now on President Bush as to when he will sign the national energy plan to sign.

Tax News

IRS Made to Pay Back Taxpayers

The Internal Revenue Service is very well known for taking taxpayers money but recently it was made to give some back.

Last Tuesday, a federal judge ordered the government to pay more than \$250,000 to three taxpayers after finding that an IRS agent had disclosed confidential information to witnesses in a criminal tax investigation.

Senior U.S. District Judge Scott O. Wright assessed statutory and punitive damages after finding that special agent Robert Jackson of the IRS' Criminal Investigative Division in Kansas City "knowingly, willfully and intentionally" made 78 illegal disclosures of taxpayer information.

Leonard Snider and his business, National Sales & Service were two of the plaintiffs in the case.

In 2001 the IRS began investigating Mr Snider and his business for nonpayment of income and employment taxes, employment of illegal aliens and the filing of false identification documents.

That investigation is still continuing however it was alleged that during the investigation Mr Jackson interviewed dozens of witnesses and told them elements of the case and the charges.

Jackson denied making illegal disclosures and insisted that the witnesses inferred them from his questions, however judge Wright did not accept that.



Dates For The Diary

August 10

Employees who work for tips.

If you received \$20 or more in tips during July, report them to your employer. You can use Form 4070.

Social security, Medicare, and withheld income tax.

File Form 941 for the second quarter of 2005. This due date applies only if you deposited the tax for the quarter in full and on time.

August 15

Individuals.

If you have an automatic 4-month extension to file your income tax return for 2004, file Form 1040, 1040A, or 1040EZ and pay any tax, interest, and penalties due. If you need an additional 2-month extension, file Form 2688.

Tax Tidbits

- ◇ Married couples have three filing choices: married filing jointly, married filing separately, or head of household. To qualify for the head of household filing status, you must have lived apart from your spouse for the last six months of the year, have a dependent child living with you, and provide more than half of the support for the household.
- ◇ Do you have college kids heading back to campus soon? Remember that you may qualify for the Hope scholarship credit of up to \$1,500 if your student is in his or her freshman or sophomore years of undergraduate school. Also check out the lifetime learning credit of 20 percent of qualified education expenses up to \$10,000, which may be used by anyone who qualifies, not just college freshman or sophomores. Both credits are subject to income phase-out limits. You can claim the Hope credit for each student who qualifies, but the lifetime learning credit applies to the family as a whole.
- ◇ If your employer has a cafeteria or flexible spending plan that allows you to pay medical expenses with pre-tax dollars, it generally is beneficial for you to use the plan rather than pay expenses with after-tax dollars. Under a flexible benefits plan, you set aside a portion of your salary to pay medical expenses. The amount you set aside is not subject to income tax or employment taxes. But if you don't use the entire amount you set aside, you forfeit the unused amount. Amounts you pay with pre-tax dollars are not deductible.

News From The IRS

IRS Commissioner Full of Praise for Congress Funding

IRS Commissioner Mark W. Everson applauded Congress for its progress so far in securing additional funding in accordance with the IRS 2006 budget request, allowing him to suspend plans to close some of its Taxpayer Assistance Centers.

The Senate Committee has provided the full \$10.68 billion the President requested, and the House has passed a bill at \$10.56 billion.

The Internal Revenue Service's funding for 2005 is \$10.24 billion.

In May, the IRS announced its intention to close 68 of its 400 Taxpayer Assistance Centers later this year due to budget cuts but both the House bill passed and the Senate Appropriations markup have included provisions to stop the IRS from moving ahead with the closures.

Over recent years, the IRS has made significant improvements in service for taxpayers including incorporation telephone services and internet technology.

Although the provisions regarding the Taxpayer Assistance Centers is yet to become law, Commissioner Everson decided to immediately suspend the proposed closures until any related actions required by the Fiscal Year 2006 IRS appropriation have been completed.



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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

Man Sentenced in Bank Fraud Scheme

In the latest bank fraud case more than \$100,000 in tax refunds, issued by the government, and \$166,000 in auto loan checks, were all collected by one man.

In total, Joe F Martinez took \$267,000 in a scheme he ran through his tax-preparation business. Martinez, 34, pleaded guilty in April to conspiracy to commit bank fraud and was sentenced last week to 46 months in prison.

Martinez, a native of the Dominican Republic, entered the US in 1995 on a visitor visa meaning he was entitled to stay for a maximum of six months, however he over-stayed his visa. Once Martinez is released from prison, he'll be deported and won't be able to return to the United States for the five-year period of supervised release, Martinez has also agreed to pay \$214, 493 in restitution.

Using the address of his "Tax Master" office, Martinez opened a bank account in February of last year. He also used a fraudulent driver's license to open the account; the license listed his name as Joan S Martinez, and gave a false birth-date and Social Security number, the number is registered to a child under the age of 10, it is believed that Mr Martinez has a 5 year-old son with that name.

In the 10-months that followed, Martinez obtained 11 tax refund checks and deposited them in the bank account with fraudulent endorsements. He was finally caught in November, after he tried to cash a check that was made out to a lawyer of a Connecticut trust.

The investigation also found that Martinez and a coconspirator, Andy Almanzar, fraudulently obtained eight checks from Digital Federal Credit Union for auto loans by providing vehicle identification numbers for cars that Rhode Island Dealerships has recently sold, legitimately to other people.

Money Funny

Give.....And you shall

Sitting by the window of her convent, Sister Barbara opened a letter from home one evening. Inside the letter was a \$100 bill her parents had sent. Sister Barbara smiled at the gesture. As she read the letter by the window, she noticed a shabbily dressed stranger leaning against the lamp post below.

Quickly, she wrote, "Don't despair. Sister Barbara," on a piece of paper, wrapped the \$100 bill in it, got the man's attention and tossed it out the window to him. The stranger picked it up, and with a puzzled expression and a tip of his hat, went off down the street.

The next day, Sister Barbara was told that a man was at her door, insisting on seeing her. She went down, and found the stranger waiting. Without a word, he handed her a huge wad of \$100 bills. "What's this?" she asked.

"That's the \$8,000 you have coming Sister," he replied. "Don't Despair paid 80-to-1."