



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

Commission Claims Too Many Tax Breaks Exist

As taxpayers lives start to get back to normality after the stress and flurry of their annual filing chores, a presidential commission looking into the nation's tax laws has concluded that there are too many deductions and credits available...

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Commission Claims Too Many Tax Breaks Exist

As taxpayers lives start to get back to normality after the stress and flurry of their annual filing chores, a presidential commission looking into the nation's tax laws has concluded that there are too many deductions and credits available.

There are two credits, a deduction and a special savings plan available to help cut college costs. Special urban and rural tax zones have been designed to encourage investment and job creation.

While there are dozens of benefits available to help families raise their children, save for retirement, encourage adoption even sway drivers to buy hybrid cars.

The commission's chairman, former Florida Senator Connie Mack, has said that its nine members had been surprised by the number of tax deductions and credits available.

The White House budget office ranks the cost of a deduction for businesses that provide health insurance to employees as the top tax break, worth \$126 billion next year.

Also high on the list are the popular mortgage interest deduction, a capital gains break for home sales, a deduction for charitable contributions and the child tax credit.

The list also includes many mini tax breaks such as ones that encourages the use of bio-diesel fuel, help for the elderly and disabled and the ability to allow teachers to deduct the cost of school supplies.

However the problems arise when taxpayers try to decipher the rules that govern those credits and deductions. The tax breaks often overlap and typically come with pages of instructions and requirements.

President Bush has asked the panel to preserve tax breaks that promote homeownership and charitable giving.

Lawmakers want to brand their own education tax breaks which mean there are multiple deductions, credits and special savings accounts instead of one tax break everyone can use.

Tax breaks also provide benefits without creating a government spending program. But the proliferation of tax breaks end up costing the public because it means that income tax rates cannot be lowered.

It has been reported that tax benefits that provide indirect subsidies to homeowners add up to more than the entire budget of the Housing and Urban Development Department.

The earned income credit for low wage workers is bigger than any welfare program, including food stamps.

Some critics have said that no one tracks the tax breaks to find out if they succeed in promoting the behavior that lawmakers want to encourage and that limitations often mean that some breaks are not available to wealthier taxpayers or poorer ones.

Although it is highly unlikely that taxpayers would want to give up some of those deductions and credits to make the whole system simpler.

It is believed that the Commission this summer will make recommendations of ways to make the tax laws fairer and simpler.



Dates For The Diary

April 30

- ◇ Quarterly Payroll and Sales Tax Returns due.

Tax News

Schedule M-3 Questions Answered by IRS Website

The IRS has recently set up a web-based list of frequently asked questions regarding the new Schedule M-3.

The Schedule M-3, "Net Income (Loss) Reconciliation for Corporations with Total Assets of \$10 Million or More" is filed by affected corporations to reconcile financial accounting income to taxable.

The Internal Revenue Service estimates that approximately 50,000 mid to large size corporations are now required to use this schedule.

The Corporations sections of the IRS.gov website features a Schedule M-3 page that will include material published on the schedule, including instruction and the frequently asked questions in the hope to help taxpayers with their Schedule M-3 problems.

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Tax Tidbits

- ◇ The tax deadline has now been and gone but that doesn't mean that you can't get a head start on next year's taxes. Itemizing deductions helps reduce your taxes, then you'll save even more if you start the paper trail early in the year. By saving your receipts for charitable contributions, job-related educational expenses, deductible taxes, work-related expenses and medical expenses you'll be certain to receive all the appropriate deductions.
- ◇ As we head towards summer, it's often a time for increased volunteer activities. So if you drive for Meals on Wheels, take church youth on field trips or even drive to the location of the Habitat for Humanity house you're helping to build, make sure you keep track of your mileage. For every mile, 14 cents is deductible as a charitable contribution.
- ◇ So your returns have been filed and you have now received a letter from the IRS. If you have decided to handle your IRS letter or audit on your own, be aware of these common mistakes: not taking the letter seriously; delaying the response to the inquiry; answering an inquiry without addressing all the issues; signing any IRS agreements without consulting a tax professional; going to an audit unprepared; underestimating the IRS; failing to double-check the IRS's figures or conclusions; and ignoring the IRS letter. Any or all of the above mistakes can cost you time and money. Penalties and interest can often cost much more than professional assistance if you make some of these common mistakes.

More Tax News...

Deloitte Pays \$50 M to settle Adelphia Case

Deloitte & Touche LLP have reportedly agreed to pay \$50 million to settle charges that it failed to detect a major accounting fraud at Adelphia Communications Corp, a company that Deloitte deemed one of its riskiest clients.

The payment to the Securities and Exchange Commission is believed to be the largest ever for an accounting firm dealing with an accounting scandal in the last decade.

Deloitte & Touche was accused of improper professional conduct when it failed to detect fraud when it reviewed Adelphia's books for the 2000 fiscal year.

The cable company filed for bankruptcy protection in 2002 after it was revealed that the controlling Rigas family had borrowed close to \$2.3 billion using Adelphia's credit.

Adelphia and members of the Rigas family recently agreed to settle separate charges stemming from the fraud, in 2003 company founder John Rigas and son, Timothy, were convicted of conspiracy, bank fraud and securities fraud.



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

Charities Stay Silent over Loss of Estate Tax

According to a study conducted by the Brookings Institution and the Urban Institute, charities stand to lose around \$10 billion a year if the federal estate tax is repealed permanently.

That is roughly the equivalent of all the grants made by the country's 82 largest foundations in 2003.

But while nonprofit groups have spent hundreds of thousands of dollars over the last year lobbying Congress against imposing tougher regulation on them, with this issue they have remained silent.

The reason for the lack of noise, well some believe it's the fear that if they do speak up, it will alienate some wealthy donors and board members that would benefit from the repeal.

The estate tax includes unlimited deductions for charitable giving as a way of helping shield families from inheritance taxes, by eliminating the tax would also in effect eliminate the need for the tax shelter.

News From The IRS

Help Offered for Small Businesses

In recognition of National Small Business Week the Internal Revenue Service has announced the availability of a number of free resources to aid the nation's 45 million small business and self-employed taxpayers with their tax responsibilities.

The small business section of the irs.gov website provides a one-stop resource centre for information on starting and operating a business.

From the site taxpayers can learn about employment tax requirements; make tax payments; find out how to set up retirement plans as well as view information videos and order business resources.

For more information about the resources available or to investigate the small business section, just visit www.irs.gov