



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

Senate Proposes \$16 Billion in Energy Tax Breaks

Last week Senate tax writers proposed \$16 billion in energy tax breaks as the Senate began to debate on a massive bill that some Democratic lawmakers believe would do too little to wean the country off its heavy reliance on foreign oil...

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Senate Proposes \$16 Billion in Energy Tax Breaks

Last week Senate tax writers proposed \$16 billion in energy tax breaks as the Senate began to debate on a massive bill that some Democratic lawmakers believe would do too little to wean the country off its heavy reliance on foreign oil.

The draft energy tax package would funnel nearly 40 percent of its incentives to promote energy conservation and efficiency as well as to develop alternative transportation fuels.

The \$16 billion over 10 years is roughly twice the amount approved by the House in April and is substantially more than what has been described as acceptable by the White House.

However, senators also tentatively agreed on requiring oil refineries to use eight billion gallons a year of ethanol, mostly derived from corn, as a gasoline additive.

It is believe that it will take at least two weeks for the Senate to make any certain decision on the energy tax package, it has ignited debate about the country's dependence on imported oil.

Republican leaders have hoped to finish the energy legislation before the July 4th recess, but not before tackling a number of contentious issues from climate change to easing the long-standing ban on drilling in much of the nation's coastal waters.

However, Florida's two senators, armed themselves with detailed maps of the Gulf of Mexico and mounted a "preemptive strike" against any moves to allow oil and gas drilling closer to the state's coastline. The Senators resist any amendment to the energy bill that would affect areas of the central and eastern gulf, as they believe to be a destruction of the coast.

Talks are continuing on both the \$16 billion energy tax package as well as the nation's coastal waters.

TaxLogic's sister company, Pex Publications, has a publication focusing on renewable energy, called REnergy, you can view the REnergy website [here](#) or view [samples](#).

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Groups Request for Exemption

Representatives from several conservative groups have asked Congress to reform the tax treatment of employment-based health insurance by either eliminating the employee tax exclusion for health insurance or cap the amount excluded from income.

Members of the Heritage Foundation, National Taxpayers Union and the Galen Institute were some of the people that addressed a forum in Washington asking that any reform to the tax treatment of health insurance should come as part of revenue-neutral tax reform.

The organization also presented a petition urging Congress to act on reform of the health insurance exemption. The petition faults section 106 of the tax code for providing a "generous, yet invisible, tax preference for health insurance that employees receive through the workplace."



Dates For The Diary

June 11

Employees who work for tips

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

June 15

Partnerships

File a 2004 calendar year return (Form 1065). This due date applies only if you timely requested an automatic 3-month extension. Provide each partner with a copy of Schedule K-1 (Form 1065) or a substitute Schedule K-1. If you need an additional 3-month extension, file Form 8800.

Electronic large partnerships

File a 2004 calendar year return (Form 1065-B). This due date applies only if you timely requested an automatic 3-month extension. If you need an additional 3-month extension, file Form 8800.

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Tax Tidbits

- ◇ Summertime is often a time for increased volunteer involvement. If you drive for Meals on Wheels, or take a church youth group on field trips. Even if you drive to the location where you are helping construct a house for the Habitat for Humanity, you could deduct 14 cents for every mile. Make sure you keep track of all your volunteer mileage as you can deduct is as a charitable contribution.
- ◇ If you have been showered with gifts, you can breathe easy as gifts are never taxable to the recipient. Neither are bequests. However if you inherit ordinary income property, such as an IRA, you will be required to pay tax on those funds. For more information on inheritance, contact your financial adviser.
- ◇ Are your kids too young to attend college yet? Well it's not too early to start saving. Some good investments funds, which carry significant tax advantages are:
 - ◇ Series EE and Series I U.S Government savings bonds
 - ◇ State tuition programs
 - ◇ Coverdell Education Savings Accounts

For more information on these funds as well as others available, speak to your tax professional.

News From The IRS



New Heads to Lead Largest IRS Division

Richard J Morgante and Pamela G Watson have named to take the top two positions in the Wage and Investment Division (W&I) of the Internal Revenue Service, the unit that serves most individual taxpayers.

Morgante, currently the division's deputy commissioner, will move up to W& I commissioner, and Watson, now the division's compliance director, will success him as W&I's second highest executive.

Both appointments will take effect from the beginning of July.

Richard Morgante began his career with the IRS in 1975 as a Taxpayer Service Representative in Syracuse, New York. He has moved through the ranks before becoming deputy commissioner in June 2004.

Morgante succeeds Henry Lamar who is retiring after 34 years with the IRS, the last two years as W&I commissioner.

Pamela Watson began her career with the IRS in 1978 in Jackson, Mississippi, where she held a number of collection related and managerial positions. She too, advanced through the institution before becoming compliance director of the Wage and Investment Division in August 2004.



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

KPMG Not Out of the Woods Yet

Following the admission last week by big accounting firm KPMG of 'unlawful conduct' in selling tax shelters, while it may help shield the firm from criminal indictment it has heightened the vulnerable of costly civil lawsuits.

KPMG's admissions of guilt in which it says it "takes full responsibility" and "deeply regrets" tax shelter abuses, might also undermine some fellow corporate defendants in civil lawsuits.

The businesses that worked with the accounting firm to sell and operate the tax shelters which now potentially face hundreds of millions of dollars in claims.

Among those being sued by investors alongside KPMG are the law firm of Sidley Austin Brown & Wood, Deutsche Bank, Presidio and the Quellos Group of Seattle.

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IRS Implement Tax Levy on Alaska Native Corporations

With the growing profitability of Alaska Native corporations and the nation's growing 'tax gap' the Internal Revenue Service has seen the need to end an informal policy of exempting dividends issues to the corporations' 57,000 shareholders from tax levies.

The new policy which took effect on June 1 is to become part of standard agency collection procedures.

According to one IRS collection agent, it was estimated that over \$7 million in taxes on Alaska Native corporation dividends are past due.

When Congress passed the Alaska Native Claims Settlement Act (ANCSA) in 1971, it included a range of provisions to help the 13 regional corporations get started in the business world, including a 20-year exemption from IRS levies.

Largely due to the influence they held over the route for the 800-mile Alaska oil pipeline, Alaska natives, unlike Native Americans in other states, won the establishment of the regional corporations instead of traditional reservations.

With a national 'tax gap' of more than \$312 billion, the IRS believes that the time has come to collect income taxes on native dividends.