



## 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

### **Bloomberg Announces Budget Proposal**

New York City mayor, Michael R. Bloomberg, recently announced a budget proposal which included a call to reduce sales taxes on shoes and clothing purchases that cost less than \$110...

### **Tax Tidbits**

Useful Tax Hints and Tips

### **Strange But True**

Drug Makers Reaping the Benefits of Tax Break

### **News From The IRS**

IRS Certify Lexus Hybrid for Clean-Fuel Deduction

## Bloomberg Announces Budget Proposal

New York City mayor, Michael R. Bloomberg, recently announced a budget proposal which included a call to reduce sales taxes on shoes and clothing purchases that cost less than \$110.

The proposal would lower the sales tax by eliminating a 4 percent city tax that shoppers currently pay, an action that requires the approval of the State Legislature.

The reduction of the state sales tax is part of a proposed budget totaling close to \$50 billion, for the 2006 fiscal year, which starts in July.

Mayoral aides have said that the budget will also include spending initiatives on education and tax break for some homeowners who renovate or expand their buildings.

The mayor has also propose to add about \$125 million for cultural programs, libraries and summer jobs, areas that had been omitted from the preliminary budget proposal released in January.

The budget also proposes to cut taxes on small businesses and to boost the reserve of funds to cover future labor agreements to about \$900 million by the 2009 fiscal year.

According to administration officials, immediately eliminating the city's portion of the sales tax on clothing that costs less that \$110 would cost the city about \$200 million in lost revenue.

However, the proposal is made easier because of increases in other revenue, mostly from real estate-related taxes.

When Mayor Bloomberg released the preliminary budget proposal in January, he said that tax revenues were about \$1.5 billion higher than figures projected a year ago.

It is believed that since the release in January, the projection figures have been revised upward once again, mostly due to an improving economy.

One area of common friction during the budget negotiations involved the restoration of funds the mayor proposes to cut from programs favored by council members.

However, the Mayor is already proposing to add back \$125 million of that money, which council members are believed to have seen as a positive first step.

A budget needs to be decided and adopted on before July 1, the beginning of the new fiscal year.



## Dates For The Diary

### May 10

- ◇ Social security, Medicare and withheld income tax. File Form 941 for the first quarter of 2005. This due date applies only if you deposited the tax for the quarter in full and on time.

### May 13

- ◇ Regular method taxes. Deposit the tax for the last 15 days of April.

## Tax News

### Graduates Need Education On Finances

In only a few weeks, many college students will graduate and head into the real world, of full-time jobs, bills and debt.

A recent study by Washington Post journalist, Michelle Singletary found that most college seniors have little to no understanding on financial issues.

Many could not answer questions as to what a 401(k) was, what IRA stands for or whether life insurance and disability insurance is important.

A call has been made for parents, grandparents, aunts and uncles to take the time to educate and inform our children as to the understanding of financial matters so as to help them avoid personal debt.

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## Tax Tidbits

- ◇ If your company is planning on giving out cash bonuses to employees, you must either issue a 1099-MISC and list it under prizes or add it to your payroll, which is the easier option.
- ◇ Owning a home is one of the best things you can do to reduce your taxes. Congress would love to see most Americans own homes, and that is why you can deduct many home-related expenses including yearly mortgage interest, points, and real estate taxes.
- ◇ If last year you overpaid your state income tax, your state would have returned some of your money. So this year you must pay for it. If you receive a Form 1099-G reporting your state tax refund from the previous year, the refund is fully taxable if you itemized deduction on your 2003 returns.

## News From The IRS



**Internal Revenue Service IRS.gov**

DEPARTMENT OF THE TREASURY

## IRS Certify Lexus Hybrid for Clean-Fuel Deduction

The Internal Revenue Service has recently certified the 2006 Lexus RX 400h as being eligible for the clean-burning fuel deduction.

This certification means that taxpayers who purchase one of these hybrid vehicles brand new during the 2005 calendar year may claim a tax deduction of up to \$2000 on Form 1040.

Under the Working Families Relief Act of 2004, the clean-burning fuel deduction is limited to up to \$2000 for certified vehicles first put into service in 2005 and \$500 for vehicles placed in service in 2006, no deduction will be allowed after 2006.

This one-time deduction must be taken in the year the vehicle is originally used. The taxpayer must be the original owner and individuals do not need to itemize deductions on their tax returns to claim this deduction as this benefit can be taken as an adjustment to income on the Form 1040.

For a list of hybrid vehicles that the IRS has previously certified for the clean-burning fuel deduction, visit [www.irs.gov](http://www.irs.gov)



## 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

### Drug Makers Reaping the Benefits of Tax Break

A new tax break designed for corporations is allowing some of America's biggest drug makers to make as much as \$75 billion in profits by moving money from international havens to the United States while paying only a fraction of the normal tax rate.

The break is part of the American Jobs Creation Act which allows companies a one-year window to return foreign profits to the United States at a 5.25 percent tax rate, compared with the usual 35 percent rate.

Any company with profits in other countries can take advantage of the law, but drug makers have been the biggest beneficiaries because they can move profits overseas relatively easily.

The money that these companies are bringing back to the US has come from many years of using legal loopholes in the tax law to aggressively shelter their profits from United States taxes.

Figures show that drug makers told the Internal Revenue Service for years that their profits come mainly from international sales, even though the prices of medicine is far higher in the United States and almost 60 percent of their sales coming from America.

The six major companies – Pfizer, Johnson & Johnson, Merck, Bristol-Myers Squibb, Wyeth and Lilly – collectively pay a federal tax rate of less than 15 percent on their worldwide profits, with some companies paying much less.

Already, four of the major six have announced plans to return collectively around \$56 billion of profits to the United States.

However, the concern is that once the tax break is over, the companies will return their profits overseas and continue to pay lower tax rates until another "tax holiday" is available.

However, with all of this insecurity there is one definite and that is the pension system and the regular workers are the ones suffering.