TAXLOGIC

Issue 27 - July 4th, 2005

Tax News

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

Tax Implications with Gifts of Property

It's a common act, a property owner adds the name of a significant other, spouse, child or parent to a deed or a co-op stock certificate, but doing so can have important federal tax ramifications.

According to a tax planner from Manhattan, the people who end up having problems are often gay couples as well as unmarried heterosexual couples. Someone who adds another person's name to a deed or stock certificate is often unaware of the immediate and future tax issues.

Giving someone else an interest in one's property, without being paid for it, constitutes a gift and could trigger the need to file a gift-tax return.

Under current federal law, an individual can give another individual who is not a spouse no more than $11,000 in a calendar year without having to file a gift-tax return. If a husband adds a wife's name to a deed that is in his name only, there is usually no necessity to file a gift-tax return.

However, if an unmarried life partner gives a significant other an ownership interest in a home or apartment, the donor is deemed to have given a gift of one-half of the value of the equity in the property and must file a federal gift-tax return.

The donor could be subject to taxation at a rate that can range from 41 to 47 percent of the amount of the gift, and current tax law exempts from taxation the first $1 million in gifts made over a lifetime.

So if the equity in a home or apartment is $1 million, and the owner adds her life partner to the deed, the owner would have made a reportable gift of $489,000 ($500,000 minus $11,000) and would have to file a federal gift-tax return.

However, since the amount of the gift is less than the $1 million lifetime gift-tax exclusion, no gift tax would be due.

According to a tax lawyer, the conveyance still has tax implications because the amount of the reportable gift reduces the amount that can pass tax-free through the donor's estate. While the tax code allows a person to give away up to $1 million in reportable gifts over a lifetime without having to pay gift taxes, another provision of the code allows an individual to leave an estate of up to $1.5 million before estate taxes are assessed.

Tax News

Tax Protester Pleads Guilty

A California businessman who boasted that he did not pay income taxes because no law required him to do so has pleaded guilty to filing a false refund claim.

54 year old George Jesson, of the Orange County district of Fountain Valley, admitted in Federal District Court in Los Angeles last week, that he committed a felony in obtaining a $215,000 tax refund from the Internal Revenue Service.

Mr Jesson owns an electronic components company called No Time Delay Electronics and ran in the 2002 California Governor elections.

In many interviews with reporters over the years, Nr Jesson had insisted that he would go to prison rather than pay taxes.

He has been reported as saying, in many of the interviews, that he was able to afford his 50-foot yacht, Dream Lover, and several sports cars only because he did not pay taxes. Two other businessmen who, like Mr. Jesson, stopped withholding taxes, stopped filing returns and sought refunds are now serving prison sentences.

The California Franchise Tax Board has accused Mr Jesson and his wife, Trina, of not paying state taxes on $3 million from 1997 to 1998.

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Dates For The Diary

July 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.

July 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 addition 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.

Tax Tidbits

◊ If you have donated to charity more than $500 in property, you must file Form 8283 with your return, providing information such as what you gave, who you gave it to, and its value when you donated it. Depending on what you gave, additional information may be required. If you donated $250 or more at one time, you are required to get documentation from the charitable organization by the earlier of the date you file your return or the due date of the return, including extensions. Although documentation for smaller donations generally isn't required, you do, however, have to produce documentation should the IRS question your deduction.

◊ If uniforms and union dues are part of your employee business expenses then enter them on Line 10, Schedule A. Of course, you can only claim those expenses if they add up to more than two percent of your adjusted gross income.

◊ Do you have to pay foreign income tax? In general you'll get a credit on your US tax return. You may be able to exclude up to $80,000 of foreign-source earned income. Employers also can implement provisions to help avoid double taxation.

News From The IRS

IRS Issues Spring 2005 Statistics

The Internal Revenue Service announced the release of the Sprin 2005 issue of the Statistic of Income Bulletin, for the first time taking a look at taxable real estate investment trust subsidiaries (REIT).

The Spring Bulletin also includes a detailed look at high-income individual income tax returns for Tax Year 2002, S corporation returns for 2002, a gender comparison of sole proprietorships and more.

Of the 130,076, 443 individual income tax returns filed for Tax Year 2002, there were 2, 414, 128 returns reported adjusted gross income of $200,000 or more, and 2, 464, 515 with expanded income of $200,00 or more.

The bulletin includes historical data on income, deductions, and tax reported on returns filed by individuals, corporations, and unincorporated businesses, with selected data presented for estates.

This issue also presents the annual individual income tax return statistics by state for returns filed for Tax Year 2003, with statistics also presented on tax collections, including excise taxes.

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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

Hurricane Victims Asked to Repay Aid

The Federal Emergency Management Agency has asked thousands of Florida residents whose homes suffered hurricane damage last summer to give back $27 million in aid overpayments.

The agency began mailing letters to residents this year to recoup overpayments from people who received federal aid after Hurricanes Charley, Frances, Ivan and Jeanne hit Florida during August and September last year.

According to data, the agency found 6, 579 cases in which they say people owe a total of $27.2 million.

Many of the problems are believed to stem from the agency's providing money for items that were later covered by property insurance policies, more than one person from the same household applying for benefits or process errors.

According to a spokeswoman from the agency, the $27 million was believed to be less than 1 percent of more than $5 billion the agency had committed to aid for hurricane victims.

The agency is understood to be asking one Escambia County household to return over $50,000, saying that the award was made for a home that was not a primary residence.

More Tax News

New York City Clothing Tax Cut

Just in time for back-to-school shopping, the clothing sales tax will be cut in half in New York City.

The legislation lifts the city's 4 percent sales tax beginning Sept 1, although the state sales tax of 4.375 percent will remain in effect.

The measure is intended to make city shops more competitive with those in New Jersey, where there is no sales tax on clothing, as well as those in Connecticut, which has no tax on garments under $50.

Mayor Bloomberg was happy with the decision, saying that it was great that New Yorkers wouldn't have to choose between shopping outside the city or having to pay more, that now everyone was paying the same.