



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 Changes Worth Remembering

While the Bush administration may want to re-write the tax code from top to bottom, we still have to live with the old one.

Tax Tidbits

Some Useful Tax Ideas

Website Of The Week

www.savewealth.com

Saving Wealth, It's Never Been Simpler

The Big Firms Leading The Tsunami Donations

U.S Companies have pledged more that \$188 million in donations to help in the process of recovery.

News From The IRS

Updating of the Sales Tax Table

Tax Changes Worth Remembering

There have been many tax changes over the past year and while the Bush administration may want to re-write the tax code from top to bottom but until that happens we still have to live with the old one.

So its time to start getting ready for that American ritual, the tax return filing season, so as you begin to assemble the necessary records for your 2004 return, here are some laws changes to remember:

Sales Tax

As has been widely reported, you will be able to choose between deducting your state/local income tax and your state/local sales tax. Most taxpayers will continue to find that writing off the income tax is more beneficial, especially in high-tax jurisdictions like the District, but special circumstances, such as the purchase of a car or boat, can change that. You can use state-by-state IRS tables to figure your sales tax deduction, but you can also use actual receipts.

Tax Credits

Most of you would be aware that there is a special child tax credit of up to \$1,000 per child for low-and middle-income families. Since the credit reduces the amount of tax owed dollar for dollar, it is possible for this credit to wipe out some families tax altogether. For some of the taxpayers, there's an "additional child credit" that is "refundable," meaning that they can get a refund when their credit is greater than the tax they owe. This feature is to try to make sure lower-income taxpayers get full value from the credit.

This year, the additional tax credit is refundable for certain families up to 15 percent of the amount by which their earned income exceeds \$10,750, though the total may not exceed \$1,000 per child, the rate had been 10 percent.

You'll need to use the Child Credit Worksheet with Form 1040 or 1040A, and then Form 8812 to figure it all out.

Combat Pay

It's sad to say but more and more families are having to draw this these days, and Congress has helped in some small way by allowing this pay to boost the child credit and Earned Income Tax Credit (EITC). Combat pay, though excludable from income for regular tax, is included in calculating the child credit, potentially boosting that. Nontaxable combat pay can be counted or not counted in figuring out the EITC whichever is more beneficial.

Retirement Accounts

The 1997 and 2001 tax bills built into the law a number of increases in the amount workers can contribute to various retirement plans, and the limits on income that a worker with a company retirement plan may have and still deduct on individual retirement amount contributions.

Dates For The Diary

January 15

* 4th Estimated Payment for 2004 Due.

* Employers make Monthly Payroll Tax Deposit.

January 31

* Send W-2s/1099s to recipients today.

* File Quarterly/Annual Payroll/Sales Tax Returns.

Tax News

The United States Congress approved a tax break for donations to charities supporting Asian tsunami relief efforts, allowing taxpayers to claim their contributions made during January against last year's taxes.

The bill allows taxpayers to claim a tax deduction on their 2004 tax return due in April for cash and credit card donations for tsunami disaster relief before the end of January.

Without the change, taxpayers would have had to wait until they file their return in 2006 to claim the deduction for tsunami-related gifts.

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Tax Tidbits

Some Useful Tax Ideas

- ◇ Did you know that income you receive as a consultant is self-employment income; the net profits are subject to self-employment tax as well as income tax. Consulting income and expenses should be reported on Schedule C.
- ◇ If you file an extension, interest accrues on your balance due, and the amount you owe to dear Uncle Sam could increase. However, filing an extension does not increase or decrease your chance of being audited. And if you don't own anything you aren't penalized at all. But if you fail to file within three years, you lose any refund you are due. This means you need to file your 2004 return by April 15, 2005, in order to claim a refund.
- ◇ Do you receive income from which tax is not withheld? For example, income from self-employment or a sale of stock. You may need to make estimated tax payments. The law requires that you pay your tax as you earn your money and not doing so can result in an underpayment penalty.

Website Of The Week

Saving Wealth It's Never Been Simpler

<http://www.savewealth.com>

The SaveWealth.com website is about giving people the knowledge to build and preserve wealth.

Since launching the website in 1998 the SaveWealth Advisors have gained praise and attention from such established financial dignitaries as CNN/Money, The Wall Street Journal as well as the American Institute of Certified Public Accountants.

The website offers advice and help on such topics as Estate Planning, Retirement Planning as well as Reducing Taxes.

In the Reducing Taxes section, the website provides links to current tax forms, information about tax brackets, 31 tax breaks, estate taxes as well as books available for purchase that are tax related.

The SaveWealth.com website is a place to visit for information on taxes as well as a place to gain helpful information on preserving your wealth, which is why it's our website of the week.





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.

The Big Firms Leading the Tsunami Donations

Everyone has been touched by the South Asian tsunami disaster and U.S Companies have pledged more that \$188 million in donations to help in the process of recovery.

With more than 150,000 people dead after a giant earthquake-induced tsunami swept the coastlines of Indonesia, Sri Lanka, India and 10 other countries on Dec.26, a relief effort of huge proportions is gathering momentum as governments, individuals and companies contribute.

By the end of last week 132 of American's largest companies had pledge a total of \$188 million in cash and in-kind donations to the disaster. Drug companies have been among the most generous of donors, with contributions of both money and medicine being donated.

Pfizer Inc., the maker of Viagra and one of the world's largest drug firms is distributing \$8 million in cash among relief organizations as well as giving \$25 million worth of drugs. Bristol-Myers Squibb, donated \$1 million to the American Red Cross, plus antibiotic and anti-fungal drugs worth \$4 million.

Rival Abott Laboratories pledged \$4 million in cash and products while Merck and Co gave \$3 million. Coca-Cola Co is among the leading givers from other industries. The world's largest soft-drinks company is distributing \$10 million among relief organizations.

ExxonMobil, one of the biggest oil companies, has pledged \$5 million while Citigroup, the top-financial services firm is giving \$3 million to relief organizations. Wal-Mart stores and software giant Microsoft Corp. pledged \$2 million each while many other companies such as J.P Morgan Chase, Intel Group and Walt Disney, each donated \$1 million.



Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

News From The IRS Updating of the Sales Tax Table

The Internal Revenue Service announced last week that it has updated the optional sales tax tables in Publication 600 for Arkansas, California and Virginia.

The optional sales tax tables were updated to reflect sales tax changes made by the three states during 2004; the original tables were based on the states' sales tax rates as of January 1, 2004.

The IRS made the update before any of the tables had been made to taxpayers in Arkansas, California or Virginia. The IRS updated the tables on its website www.irs.gov and in the next few days will mail the updated tables to the three affected states.

The impact of the table change is relatively small with the sales tax figures adjusted by only a small amount. In addition, these states have income taxes, so most taxpayers residing in these states will not use the sales tax tables but will claim a state income tax deduction instead.