



## 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 Breaks Offered For Those In Combat Available

More than 500,000 men and women in the U.S armed forces will get some extra benefits this tax season, thanks to laws passed in the wake of military action in Afghanistan and Iraq

#### Tax Tidbits

Ten Common Tax Return Problems

#### Website Of The Week

[www.taxmama.com](http://www.taxmama.com)

The Mother's Love Of Taxes

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## Tax Breaks Offered For Those In Combat Available

More than 500,000 men and women in the U.S armed forces will get some extra benefits this tax season, thanks to laws passed in the wake of military action in Afghanistan and Iraq.

A key change that was approved by Congress last year, gives members of the military the option to include or exclude all the pay they received while serving in a combat zone when computing credits based on taxable income, whichever will save them money.

Most combat zone pay is exempt from federal income tax but until recently, that exemption could have ended up disqualifying service members from claiming the earned income tax credit.

Due to the fact that to qualify for the credit, individuals or households must have taxable income, for example, a soldier who spent all year in a combat zone, and had no taxable income, would not be eligible.

For a soldier who has two children and makes \$30,000 a year, the loss of that credit would cost \$944. On the other hand, a soldier who earned half of his or her \$30,000 in a war zone would definitely want to exclude that pay, because that would make the soldier eligible for the full earned-income credit of \$4,300.

It is believed that the pay provision affects 565,809 active and reserve service members who served in hostile areas on land or sea in 2004.

Spending any amount of time, even a day, in a combat zone, a "qualified hazardous-duty area" or a "direct support area" qualifies the individual to exclude that full month's worth of pay.

Those serving in combat zones, deployed in "contingency operations" or hospitalized outside the United States as a result of injuries sustained while deployed don't have to file tax returns until 180 days after they return home.

There's a total tax exemption for those who die as the result or wounds, disease or injuries incurred in a combat zone. All the service member's income, not just military pay, is exempt from tax going back to the first year service in a combat zone.

The Internal Revenue Service has all the information needed in regards to military service and combat zones on it's website, [www.irs.gov](http://www.irs.gov).



## Dates For The Diary

March 15

- S-Corp Election Decision Due (if applicable)
- Corporate Returns or Extensions Due
- Employers make monthly payroll tax deposit today

## Tax News

### Telephone Tycoon Accused of Being a Tax Cheat

Walter Anderson, the telephone entrepreneur accused of being the biggest tax cheat in American history, is believed to have started playing with his name when he was 12 years old.

It is alleged that Mr Anderson, has changed his names on numerous occasions in the attempt to transfer money into overseas accounts to avoid paying taxes in excess of \$200 million.

According to the indictment charges, Walter Anderson sent more than \$450 million out of the country from 1995 to 1999 without paying taxes on it. In fact, in 1998 he paid only \$494 in taxes.

The case is currently underway in Washington with Mr Anderson being held without bail due to a high risk of fleeing the country, court will resume March 11.

## Contact

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## Tax Tidbits

### Ten Common Tax Return Problems

- ◇ Social security number(s) incorrect or missing or don't match name(s)
- ◇ Required documentation (W-2s, etc) not attached
- ◇ Return not signed
- ◇ Filing status incorrect
- ◇ Math errors (Note: according to the IRS, a math error is an incorrect number entered on the return. There need not be a calculation. Example: reporting wages of \$29,472 as \$24,972.
- ◇ Incorrect or missing forms and schedules
- ◇ Standard deduction used when itemizing is more advantageous. (The GAO estimates that over half a million taxpayers could save by itemizing.)
- ◇ Social Security taxable benefits worksheet not completed
- ◇ Failing to claim credits (child tax credit, earned income credit, etc.) or figuring credits incorrectly. (Often because of not understanding credit eligibility or calculating incorrectly.)
- ◇ Omitting income items.

## Website Of The Week

### The Mother's Love Of Tax

[www.taxmama.com](http://www.taxmama.com)

For all things tax related but with a common, regular English style, look no further than TaxMama.com.

Eva Rosenberg, the woman behind TaxMama is an established icon when it comes to all things tax related because of her knack to make even the most complicated of taxes sound relatively normal.

TaxMama.com is the site of her weekly newsletter that not only provides analysis on the latest tax reforms but also answers sent in questions as well as providing some light humor with a section called Money Funnies.

The website is an extension of her newsletter, on the site you can sift through old questions and answers, communicate with TaxMama herself, even purchase some of her books and other resources.

If you're looking for answers to your questions, that have stumped you in the past, look no further than this website of the week and give TaxMama.com a go.





## 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

### Tax Season Increases Risk of Identity Theft

As the weeks and days get closer to Income Tax Day, April 15th, it can be an especially vulnerable time as tax filers are reviewing financial information that is highly attractive to identity thieves such as bank records, payroll forms and loan documents.

With tax season well underway, the Identity Theft Resource Center, a nonprofit organization, offers a few important tips for tax payers to help keep personal identifying information out of the hands of would-be thieves:

- ◇ Document Disposal: Destroy all personal paperwork needed to calculate taxes, including receipts, bank records and various forms once you have finished with them.
- ◇ Computer Security: If preparing taxes on a computer, make sure to have a firewall installed to protect it from invasion and set up password security to protect against unauthorized users.
- ◇ Mail Theft: Take tax forms directly to the Post Office. Do not leave tax forms in a private mail box accessible to a potential neighborhood thief.
- ◇ Tax Preparation: Be very selective about who is working on your taxes. Research companies and ask questions of the preparer.

For more information on the prevention of identity theft or about the Identity Theft Resource Center taxpayers are encouraged to visit [www.idtheftcenter.org](http://www.idtheftcenter.org)

## News From The IRS



**Internal Revenue Service IRS.gov**

DEPARTMENT OF THE TREASURY

### E-filing Running at a Record Pace

Midway through the tax filing season, the Internal Revenue Service recently announced that taxpayers have used e-file at a record rate.

Out of 47 million tax returns filed through until Feb 25, 74 percent of them were e-filed which is up from 69 percent the previous year. While this percentage traditionally declines as April 15 approaches, the IRS expects for the first time ever to have more than half of all individual tax returns filed electronically.

So far, more than 35 million returns have been e-filed this year with the biggest jump coming from self-prepared tax returns filled with a computer that has increased nearly 14 percent to 8.7 million returns.

The IRS is also seeing record numbers of people using direct deposit for their refunds. More than 29 million have selected direct deposit, up 4 percent from last year.

Already this year, three out of four taxpayers receiving refunds have used direct deposit, taxpayers who e-file and choose direct deposit get their refunds in half the time of those who file a paper return.