



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

What Happens When You Can't Pay the IRS?

What if you complete your tax return and discover that you owe the government more than your small business can afford? What a scary thought!

Tax Tidbits

Useful tax hints and tips

Website Of The Week

www.taxprophet.com

The Tax Prophet Shares His Knowledge

Strange But True

Flush Tax, Sex Sales Tax and Sparkler and Novelty Tax

News From The IRS

IRS Awards Approx \$7.5 Million to Tax Clinics

What Happens When You Can't Pay the IRS?

What if you complete your tax return and discover that you owe the government more than your small business can afford? What a scary thought!

If you find yourself in this situation, you have two problems to overcome. Firstly you have to find a way to pay the IRS and secondly you have figure out what is going wrong with your business and fix it.

The most important thing to remember is that even if you can't afford to pay your taxes you absolutely must file your tax return and preferably on time. As filing late will likely cost you 5 percent of the amount of tax you owe per month or part month that your tax goes unpaid.

According to a tax specialist, it's important to come clean and inform the Internal Revenue Service of your debt and the inability to pay, that way you will only be hit with a "late payment fee" rather than extra issues and costs.

It's even possible to get extensions of the April 15 filing deadline and not pay, as long as you are upfront with the government about the amount you owe.

With two extensions possible, shifting the filing deadline until Oct 15 can mean that you work to get enough money to pay your debt.

However if you still do not have the money on that deadline, you do have other options but there is no way out of having additional financial burdens added.

Hopefully you have some personal alternatives, such as a home equity line of credit or other loan, an IRA or 401(k) you can draw on, perhaps even a loan from a family member.

These do however all come with a price, an extra monthly payment or if you're hitting your retirement account, possible penalties and higher taxes for the current year.

You can also request an installment payment agreement with the IRS although accountants and the agency itself will tell you that you're likely to get a better deal on interest somewhere else.

In extreme cases, a taxpayer can ask the IRS for an offer-in-compromise, which recognizes the fact that the entire tax bills unlikely to be ever collect, but you business would need to be in tatters at that stage.

Clearly, any business that cant pay its tax bill on April 15 needs to take a look at its cash flow to determine what the problem is, because if changes aren't made then this problem is likely to re-occur.



Dates For The Diary

March 31

- Electronic filing of Forms 1098, 1099, and W-2G due. This due date applies only if you file electronically.
- For Employers, electronic filing of Forms W-2, W-2G and 8027 due. This due date applies only if you file electronically.

Tax News

Former Chess Champion May Face Tax Evasion Charges

1972 World Chess Champion Bobby Fischer currently being detained by Japanese officials after being caught trying to leave Japan with an invalid U.S passport, is due to be indicted on tax evasion charges.

The IRS is believed to seek a grand jury indictment against Fischer and charge him with five counts of tax evasion as early as April 5.

Mr Fischer is already wanted by the US government for violating U.S sanctions against Yugoslavia by playing a chess match there in 1992.

Having been held in a Japanese detention centre for eight months, Japan are refusing to allow him to leave, due to the U.S charges pending against him, even though Iceland has offered him a passport.

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Tax Tidbits

- ◇ If you play the slots, buy lottery tickets or even play bingo once a week at the local VFW, you are participating in gambling activities. You must report all of your winnings as other income, even if the gambling establishment does not provide you with a W2-G.
- ◇ With regard to your charitable-based gambling, raffle tickets and bingo boards, you cannot count your losses as charitable donations.
- ◇ It's easy to become overwhelmed by the amount of paper generated when preparing your tax return. When it comes time to send in your return, you might leave out a form that Uncle Sam really wants. If you forget to mail a required form with your tax return, simply wait until the IRS contacts you, and send it in at that time.
- ◇ If you are caring for a disabled person, you could be eligible to claim the dependent care credit. Disabled individuals must be unable to care for themselves to qualify for the credit.

Website Of The Week

The Tax Prophet Shares His Knowledge

www.taxprophet.com

The Tax Prophet is an attorney with over 25 years experience from San Francisco, known as Robert L. Sommers.

His website www.taxprophet.com provides information to entrepreneurs and general taxpayers on recent tax scams as well tax filing information.

With headings such as "Tax Class", "Hot Topics", "Tax and Trust Scams", "Frequently Asked Questions" and "Cybersurfing", the Tax Prophet site provides lots of information for all things tax related, and interesting facts on other topics as well.

All the information provided on this website, comes from a man who has written numerous tax related articles, given evidence and made speeches in front of finance committees and in law courts.

With such vast experience, the Tax Prophet knows his stuff and provides helpful and knowledgeable information for all who visit this 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.

Strange But True

After a few months of searching for more strange state and local taxes, we have managed to find some more for your amusement. This week we look at a flush tax, sex sales tax and a novelties tax.

Flush Tax

In 2004, Maryland began charging homeowners and businesses for producing wastewater. Maryland has added \$2.50 a month to the sewer bills of residents hooked up to treatment systems.

It will also assess an annual charge of \$30 to homeowners with their own septic systems even though many believe these residents add little to the stream of pollutants in the water.

All funds collected through this tax are believe to be used to protect Chesapeake Bay waters, the water way believed to be affected by these pollutants.

Sex Sales Tax

Sex got a bit more expensive in Utah last July, when owners of sexually explicit businesses where "nude or partially nude individuals perform any service" began paying a 10 percent sales and use tax on admission and user fees as well as the sales of merchandise, food, drink and services.

That is on top of the 4.75 percent sales tax that the state already imposes on most transactions, sexually explicit or not.

Although there isn't going to be a flood of funds coming the state governments way because there are only one or two businesses in Utah that are actually eligible for the tax.

Sparkler and Novelties Tax

In West Virginia, businesses selling sparklers and novelties pay a special fee on top of the state's 6 percent sales tax.

The novelties, according to the states Tax Department include: explosive caps; snake and glow worms and trick noisemakers.

News From The IRS

IRS Awards Approx \$7.5 Million to Tax Clinics

It was announced last week that the Internal Revenue Service has awarded approximately \$7.5 million in matching grants to Low Income Taxpayer Clinics (LITCs) for the 2005 grant cycle (Jan 1, 2005 to Dec 31, 2005).

LITCs are qualifying organizations that represent low income taxpayers involved in tax disputes with the IRS or the provide education on tax rights and responsibilities to taxpayers for whom English is a second language.

The Low Income Taxpayer Clinics grant program is now in its seventh year and aims to encourage the creation and growth of LITCs across the nation, as these clinics provide an important resource to taxpayers who may not be able to afford a tax professional.

For the 2005 grant cycle, the IRS awarded LITC grants to 145 organizations representing 48 states plus the District of Columbia and Puerto Rico.