



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

Is There A Threat Of An IRS Audit?

For most people this time of year is incredibly stressful, trying to figure out deductions and credits with the worry that if they file a wrong tax return, they could fax a visit from the tax man...

Tax Tidbits

Useful Tax Hints and Tips

More Tax News

Small Businesses
Targeted

Strange But True

Telecom tax system due for an overhaul

News From The IRS

Filing Extensions Available by Phone and Computer

Is There A Threat Of An IRS Audit?

For most people this time of year is incredibly stressful, trying to figure out deductions and credits with the worry that if they file a wrong tax return, they could fax a visit from the tax man.

The question that hangs over everyone's head is, is this the year that the tax man will knock on my door and want to audit?

The answer is not likely, most Americans, for all their anxiety and fear of being audited can remain calm.

According to the Internal Revenue Service data, they don't really "bother" most people, for all the harsh talk over tax cheats, scams and uncollected revenue, only few risk having an encounter with the tax police.

There are just simply too many returns review, an estimate 222 million this year, and too little spending on IRS enforcers.

While Congresses and presidents have repeatedly urged and encouraged the IRS to crack down on suspicious tax returns, they have rarely provided the extra funds needed to do the job.

Mostly, tax officers rely on public perceptions to compensate for a lack of policing, just as law enforcement counts on strategically placing police officers with radar guns to discourage motorists speeding.

According to reports, the IRS has not had an adequate budget to thoroughly investigate numerous suspicious tax cheats since under President Lyndon Johnson's term.

Every dollar invested in enforcement can return an additional \$4 to \$6 to the Treasury, which depends on taxes to amass the \$2 trillion the federal government spends every year.

The nation's annual "tax gap," the shortfall between what Americans owe and what the IRS collects, is estimated at between \$312 and \$353 billion.

So what are the actual odds that you will be audited, well according to one report, fewer than 1 in 129 taxpayers were audited last year, only 0.78 percent while a decade ago it was 1.69 percent.

For taxpayers earning \$100,000 or more, chances last year were about 1 in 70, or 1.43 percent.

Although it may appear that the odds are low that you could be audited, that does not mean that it's wise to get "slack" on your returns, anything that is considered out of the ordinary will raise a "red flag" at the Internal Revenue Service.

While the IRS does have its ways to look for discrepancies, simple practices such as using professionals, filing electronically and claiming all income will help make the odds of you been selected for audit lower.



Dates For The Diary

April 15

- Personal Income Taxes Due. (Form 1040)
- Partnership Tax Returns Due. (Form 1065)
- Trust Tax Returns Due. (Form 1041)
- First estimated payment for 2005 due.

Tax News

No One Likes Tax Season

It may not be a complete surprise but most people do not like paying their taxes and the ones who say they do, are often fooling themselves according to one businessman.

An Ap-Isos poll was taken recently where it was discovered that 49 percent of people surveyed would prefer going to the dentist than the 48 percent who would prefer a visit from the tax man.

The dislike of tax filing has seen the last minute tax filing numbers increase over the last few years, however the poll did discover that 70 percent believed that the federal tax form was far too complicated.

Simplifying the tax system is the goal of a federal panel that has been meeting for months and is expected to offer recommendations by midsummer.

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Tax Tidbits

- ◇ Income received 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.
- ◇ People often make mistakes calculating the earned income credit. The mistakes run from simple math errors and selecting an incorrect credit amount from the table to claiming a credit for which you are not entitled. When calculating the earned income credit, read the instruction carefully.
- ◇ There's a special break if you donate property such as stock or mutual fund shares to charity. If you owned the asset for more than a year, you get to write off its value on the day you made the gift, not what you originally paid for it. You don't have to pay tax on the appreciation while you owned the stock, either.

More Tax News...

Small Businesses Targeted

The IRS is targeting small businesses following concerns about widespread noncompliance with employment tax rules a new form for filing employment taxes was unveiled earlier this year.

The new form was established in the hopes to simplify payroll tax reporting and to reduce common errors.

The Internal Revenue Service also hopes the new filing form will make it easier for auditors to be able to isolate inappropriate transactions and questionable reporting, as auditing efforts are stepped up on small businesses.

Among the specific targets that IRS auditors are looking at include S Corporations, Non-filers and Fringe Benefits.

Tax advisors are encouraged to become aware of these intensified efforts by the IRS when advising small business clients about tax planning strategies



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

Telecom tax system due for an overhaul

For the first time in 40 years, the nation's telecom tax system might be getting an overhaul. The federal excise tax on communications services had its last major revision in 1965.

Several proposals are currently floating around Washington to modify, expand or repeal this tax in light of the migration of voice services to the Internet.

At the same time, states and municipalities are considering are considering ways to revamp their taxes on telephone services, which could add another 10 to 35% to monthly bills.

Some States are believed to be considering proposals that would apply to a lower tax rate on all information services such as voice, data and video available from cable, satellite, wireless and ISPs.

However it is still unclear as to whether any of these reforms will actually pass through Congress or if enough state legislatures will make a difference to corporate customers.

News From The IRS

Filing Extensions Available by Phone and Computer

As the filing deadline looms, people who need more time to complete their forms will find it easy to extend their filing deadline, especially when they don't need an excuse or even a stamp.

Automatic extensions are available from the Internal Revenue Service by phone, computer as well as through the paper Form 4868.

The IRS expects to receive almost nine million extension requests, which must be made by the normal filing deadline.

An extension of time to file does not give more time to pay any taxes already owed. A person may choose to pay any projected balance due when requesting an extension, and the payment may be made electronically but even without a payment, one can still get the extension.

Whether requesting an extension electronically or on paper, the taxpayer must estimate the total tax liability based on the information available.