



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

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Record Number of Taxes Filed in 2005

The Internal Revenue Service recently announced that the 2005 filing season set a series of records, highlighting that 66 million tax returns had been filed electronically with home computer usage increasing 17 percent.

The rise in e-filing reflected an increase in the use of a variety of electronic services now available, including the IRS' Free File service.

The IRS has also reported as having seen a rise in the usage of its official website, www.irs.gov and also a program they developed called Where's My Refund.

The 66 million e-file returns received up until April 22 has already beaten the 62 million electronic returns received during the whole of 2004.

The Internal Revenue Service expect that the number will increase before the close of the e-file season in October, with taxpayers who filed for an extension able to use e-file until August 15 and until October 17 if they got an additional extension.

In the announcement made last week, the IRS said they by April 22 they had already 66 million returns through IRS e-file which was an increase of 11 percent from the same time last year; 5.01 million Free File returns; 16.7 million taxpayers filed their returns from a home computer, which was 2 million more than the whole of 2004 while 46 million returns were received from tax professionals.

By April 22nd, the IRS had already issued 84.7 million refunds averaging \$2,144 per refund.

More than half, 49.4 million, were issued through direct deposit, believed to represent a 7 percent increase from 2004, with direct deposits getting refunds to the taxpayer at least a week sooner than issuing a check.

Another increase that the IRS has seen, is in the number of tax payments made by credit card, nearly 928,000 people paid by credit card, which was a huge increase of 57 percent.

All in all, the IRS is happy that so many people have filed their returns using the alternative methods.

This table shows the comparison between the filing statistics of 2004 and 2005.

2005 FILING SEASON STATISTICS			
Cumulative through the week ending 4/23/04 and 5/22/05			
	2004	2005	% Change
Individual Income Tax Returns:			
Total Receipts	119,935,000	120,133,000	0.2
Total Processed	98,691,000	100,299,000	1.6
E-filing Receipts:			
TOTAL	59,576,000	65,961,000	10.7
TeleFile (phone)	3,755,000	3,280,000	-12.6
Computer	55,829,000	62,681,000	12.3
Tax Professionals	41,612,000	46,013,000	10.6
Self-prepared	14,209,000	16,668,000	17.3
Total refunds:			
Number	85,326,000	84,741,000	-0.7
Amount	\$176.855 billion	\$181.711 billion	2.7
Average	\$2,073	\$2,144	3.5
Direct Deposit Refunds:			
Number	46,179,000	49,400,000	7.0
Amount	\$112.496 billion	\$125.098 billion	11.2
Average	\$2,436	\$2,532	4.0



Dates For The Diary

May 10

- ◇ Social security, Medicare and withheld income tax. File Form 941 for the first quarter of 2005. This due date applies only if you deposited the tax for the quarter in full and on time.

Tax News

Charities Rally Together to Fight Tax Reform Proposal

Most people that donate used clothes and household items to charities do care about the work that is being done, but take away the tax incentive and the amount of donations would decrease.

According to some legislators, too many taxpayers have taken advantage of a system that has allowed them to estimate the value of their gift.

A proposal released in April by the Joint Committee on Taxation includes legislation that would limit deductions for non-cash items to \$500 per taxpayer.

However local charities that raise money through thrift store sales say the proposal threatens charitable giving.

At stake is about \$8 million in the sale of donated good each year, the money is then used to support local programs that provide such services as job training, substance abuse rehabilitation and animal shelters.

The chairman of the US Senate Finance Committee supports the proposal while the Internal Revenue Service will back a reform that would strengthen its oversight of charities.

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Tax Tidbits

- ◇ If you're planning to write off your new home office furniture, then you can only use it when you are "on the clock." You can deduct the cost of your furniture only if it is used 100 percent for business. Ordinarily you would depreciate that cost over several years but the section 179 expense deduction allows you to deduct the entire cost in the year of the purchase, as long as you qualify.
- ◇ A self-employed person can contribute 20 percent, up to \$41,000, of his or her net income. Employees can contribute up to 25 percent of their wages.
- ◇ If you are a tipped employee, you may find that your Form W-2 contains allocated tips in Box 8. The amount shown is from a government formula and is in addition to the tips you have already reported to your employer. You must pay income tax, social security tax and medicare tax on the allocated tips unless you have written records showing that you never received the tips, or that you received a lesser amount.

More Tax News...

Insurance Giant Discovers \$1 Billion in Flaws

The American International Group, the insurance giant, announced recently that after an in-depth examination of its operations, it had discovered an additional amount of accounting improprieties that go back to 2000.

These improprieties could affect the companies net worth by decreasing it by \$2.7 billion or \$2 billion more than it had previously estimated.

The company has also said that the improper transactions appeared to have involved misrepresentations to A.I.G's regulators and independent auditors as well some of its own management.

A.I.G hopes that its itemized review will convince investors that it has identified all the problems in its operations and corrected them.

The insurance giant has been under a cloud of suspicion since mid-February when it disclosed that New York attorney general, Eliot Spitzer, had subpoenaed documents relating to his use of complex types of insurance.

In March, Maurice R Greenberg, the company's former Chief Executive, resigned under pressure from its board shortly before he was scheduled to testify under oath to regulators.

Over half a dozen problems have been discovered as a result of the AIC's review, the company has announce with one of the major areas involved insufficient risk transfer in certain insurance transactions.



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

Is Your Pension Safe?

While President Bush and Congress are debating over the future of Social Security another lower-profile debate is underway over the health of private pension.

The nation's traditional pension system – which covers fewer workers than a decade ago – is underfunded by \$450 billion, according to Federal official, reflecting recent stock market losses and low interest rates.

But while Social Security won't run short of money until 2017, the nation's pension underfunding exists today and has cost thousands of workers their benefits nationwide.

Squeezed by the high cost of maintaining benefits and the pressure of competitors offering less costly retirement plans, companies have moved to stop providing pensions to new employees, reduce future payments for current workers or shed their plans entirely.

The Bush administration last week renewed a call for sweeping changes in how so-called defined benefit plans are funded, reported and insured. But the reforms face opposition from large corporation, unions and retirees.

News From The IRS



Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

IRS Announces the Appointment of New Member to the ACT

Last Thursday the Internal Revenue Service announced the selection of seven new members for the Advisory Committee on Tax Exempt and Government Entities (ACT).

The ACT is an organisation that addresses issues concerning tax-exempt organizations, employee retirement plans, tax-exempt bonds and federal, state, local and Indian tribal governments.

The seven new members will assume their duties in June and join the 11 returning committee members.

The new members are Daniel J. Schwartz of St Louis, Mo.; Michael S. Sirkin of New York, NY; Betsy Buchalter Adler of San Francisco; Sean Delany of New York, NY; Nicholas C. Merrill, Jr of Springfield, Ill; Julian M. Regan of Albany, NY and Maxwell D. Solet of Boston.