



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

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Congress Has Opportunity to Increase IRA Saving

Late this week, Congress may get its best chance to salvage something from President Bush's push for Social Security privatization, when the House tax-writing committee holds hearings on helping Americans save for retirement.

Half of all American households, have little to no savings specifically designated for retirement, and have accumulated only a few thousand dollars worth of assets.

While many may think that there is no way to get people to save more, there appears to be a few ways available.

An example of just how successful it is to get people to start saving, is the results of clients at the 60 H&R Block offices in St. Louis.

From March 5 to April 5, this year, over 15,000 H&R Block clients, most of them low to middle income, were offered free help setting up IRA's.

They were randomly sorted into three groups; one group received a 20 percent match for I.R.A contributions of up to \$1,000, the second group received a 50 percent match while the other group was offered no matching funds.

The experiment generated two findings, first, offering a match not only causes IRA participation to increase but also increases the amount that people will contribute.

Secondly, the information provided by the H&R Block tax preparers and the ease of contributing, greatly influenced the participants' decision to save.

It may seem like common sense that by offering to match contributions would increase I.R.A participation it appears that the hypothesis had never been tested until now.

Congress has never incorporated direct matches and savings incentives together.

Instead, Congress' chief tax writer and his fellow lawmakers continue to emphasize new tax-deductible savings plans and higher contribution limits for the current tax-favored accounts, however these incentives have continually failed to motivate taxpayers to save.

It is believed that a big reason for the failure is because the tax deductions and lofty contribution limits provide the most value to the affluent, high-tax bracket filers, instead of the low to middle income taxpayers.

According to tax specialists, it is believed that lawmakers in Washington could establish a generous and easy to understand IRA match for a fraction of what it would cost to extend President Bush's tax cuts for the wealthy.

However, it is unknown just what will happen later this week when Congress meets to discuss this issue



Dates For The Diary

May 25

- ◇ Communications and air transportation taxes under the alternative method. Deposit the tax included in amounts billed or tickets sold during the last 15 days of April.

May 27

- ◇ Regular method taxes. Deposit the tax for the first 15 days of May.

Tax News

Minnesota pushes for new Smoking tax

A group of Minnesota lawmakers believes that the state should increase cigarette taxes to help pay for the \$2 billion that the state spends annually on smoking related health care.

The justification of these lawmakers is that if cigarettes were to cost more, then fewer people would smoke.

The new bill that is being suggested would raise \$50 million per year in fees, which equals about a 17 cent increase per pack, on cigarette distributors to pay for the state costs of smoking.

Governor Tim Pawlenty has been recorded as saying that he's willing to listen to the arguments in favor of raising cigarette fees to pay health care costs.

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Tax Tidbits

- ◇ If you are considering getting a divorce, don't forget to consider your following year's taxes. Usually, legal fees involved in a divorce aren't a deductible item unless the fee was for tax advice.
- ◇ If you are a self-employed individual, you must estimate your income and self-employment taxes and pay them quarterly. You generally must pay at least the lesser of 90 percent of your current year tax or 100 percent of your prior year tax.
- ◇ If you have at least one dependent child under the age 17, your tax is zero and your earned income (wages, salaries, and self-employment income) is more than \$10,750 you may be eligible to claim the additional child tax credit. Complete Form 8812.

News From The IRS



Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

IRS Appoints New Chief Financial Officer

The Internal Revenue Service recently announced a new member to its close knit family.

Janice J. Lambert has been appointed the Chief Financial Officer for the IRS.

As CFO, Ms Lambert will oversee an organization responsible for the custodial accounting of \$2 trillion in taxpayer receipts and the IRS' \$10 billion annual operating budget.

In addition, the CFO serves as a principal advisor to the IRS Commissioner and Deputy Commissioners on financial and performance management, financial systems, strategic planning, and internal controls.

Having worked at the Department of Treasury, Ms Lambert started at the IRS in June 2004 as Deputy Chief Financial Officer.



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 Detroit Considering Fast-Food Tax

Faced with a \$300 million budget hole, Detroit Mayor Kwame Kilpatrick is hoping people won't mind paying a few extra cents for their Big Macs and Whoppers.

Mr Kilpatrick wants to ask local voters to approve a 2 percent fast-food tax, on top of the 6 percent state sales tax already on restaurant meals.

The mayor believes that consumers will barely notice the extra cents at the cash register, but critics say the tax would unfairly burden the poor and restrict economic development.

Other cities and states already have special taxes on prepared food, and some have even tried "snack taxes."

In New York City, Assemblyman Felix Ortiz has proposed a 1 percent tax on junk food, video games and television commercials so as to be able to fund anti-obesity programs.

If it is approved, the Detroit tax would be the country's first tax to specifically target fast-food outlets, with the tax applying to anything sold at a fast-food restaurant, including the 'healthy' options.

However, opponents have been quick to call the tax a "fat tax" in a city that was dubbed America's fattest in 2004 by Men's Health magazine, but fell to third place for 2005.

More Tax News... IRS Allows PETA to keep their Tax-Exempt Status

People for the Ethical Treatment of Animals (PETA) have been able to retain the tax-exempt status available to nonprofit organizations after the Internal Revenue Service finished auditing the organization.

The IRS conducted a 20 month audit on PETA after complaints were made by such businesses as KFC and Ringling Bros, which had been targets of recent protests by the group.

An IRS spokeswoman confirmed that the organization had retained its tax-exempt status.

The Foundation to Support Animal Protection, PETA's supporting organization, also was audited and allowed to keep its tax-exempt status also.

This was the second time that the IRS had audited PETA, with the first being conducted in the early 1990s.