



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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Toyota Highlander Hybrid Makes List for Clean-fuel Deduction

The Internal Revenue Service has announced that the model year 2006 Toyota Highlander Hybrid is considered eligible for the clean-burning fuel deduction.

This certification means that taxpayers who purchase one of these hybrid vehicles new during calendar year 2005 may claim a tax deduction of up to \$2000 on Form 1040.

Under the Working Families Relief Act of 2004 which was signed into law in October of 2004, the clean-burning fuel deduction is limited to up to \$2,000 for certified vehicles put into service in 2004 and \$500 for vehicles put into service in 2006.

There is no deduction allowance after 2006.

Federal law allows individuals to claim a deduction for the cost of buying a motor vehicle that is propelled by a clean-burning fuel.

By combining an electric motor with a gasoline-powered engine, these hybrid vehicles obtain greater fuel efficiency and produce fewer emissions than similar vehicles powered solely by conventional gasoline-powered engines.

As part of the limitations of the deduction, it must be take in the year the vehicle is originally used and the taxpayer must be the original owner.

Individual taxpayers do not need to itemize deduction on their tax return to claim this deduction as this benefit can be taken as an adjustment to income on the Form 1040.

The amount of the deduction for the Toyota Highlander Hybrid was set by the manufacturer after it documented for the IRS the incremental cost related to the vehicle's electric motor and related equipment.

Other cars that are also eligible for the clean-burning fuel deduction include the 2006 Lexus RX 400h, 2005 Ford Escape Hybrid, 2001-2005 Toyota Prius, 2000-2005 Honda Insight, 2003-2005 Honda Civic Hybrid and the 2005 Honda Accord Hybrid.

If you purchased a qualifying car and did not claim the deduction when you filed that year, you may be eligible to claim it on an amended return (Form 1040X) as taxpayers may amend returns up to three years after the original return's due date.

Tax News

Former IRS Agent Acquitted of Tax Fraud

A Sacramento jury acquitted former IRS agent Joseph R. Banister of tax fraud last week, which is believed to have strengthened the resolve of the anti-tax community and gives hope to the growing number of "tax honest" leaders facing court challenges.

A former Criminal Investigation (CI) Division special agent who left the IRS in 1999 over disagreements about the validity of the federal income tax, Banister was exonerated of conspiring to defraud the IRS and of helping Cencal Aviation Products proprietor Walter A. Thompson file false returns for tax years 1996-1998.

Thompson was found guilty of tax evasion and failure to withhold in January and was sentenced to six years in prison.

While Banister was acquitted of all charges, his 2004 disbarment still precludes him from practicing before the Internal Revenue Service.

Banister believes the tax laws are invalid because of myriad defects in the Internal Revenue Code. He and other tax protestors have spent decades advancing many and sometimes conflicting constitutional arguments.



Dates For The Diary

July 11

Employees who work for tips

If you received \$20 or more in tips during June, report them to your employer. You can use Form 4070.

July 15

Partnerships

File a 2004 calendar year return (Form 1065). This due date applies only if you timely requested an automatic 3-month extension. Provide each partner with a copy of Schedule K-1 (Form 1065) or a substitute Schedule K-1. If you need an additional 3-month extension, file Form 8800.

Electronic large partnerships

File a 2004 calendar year return (Form 1065-B). This due date applies only if you timely requested an automatic 3-month extension. If you need an additional 3-month extension, file Form 8800.

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Tax Tidbits

- ◇ If you receive child support you do not need to report it on your tax return, as well as if you are paying child support you cannot deduct it from your income, as it is not taxable income. However, if you receive alimony you do have to report it because it is support for yourself, and if you are paying alimony you are allowed to deduct it from your taxable income.
- ◇ When a family member dies, it is an incredibly painful time and while much of the focus is on the loss, other things tend to be overlooked. For instance, it is important for a family member to file a final tax return for the deceased. Even if the income level of the departed does not warrant a return, the IRS may have withheld income tax which is eligible to be returned. It is important for the family to make sure that the deceased's taxes are investigated.
- ◇ If you have children who are in their first or second year of higher education, you could be eligible for the Hope credit. The Hope credit allows you a tax credit of up to \$1,500 for expenses such as tuition, fees and books needed to be purchased from the education institution. The credit eligibility is determined by your income, but \$1,500 for each child studying can be quite helpful.

News From The IRS



New Law Changes Highway Use Tax Rules

The Internal Revenue Service recently reminded truckers and other owners of heavy highway vehicles that the installment option for paying the federal highway use tax will no longer be available.

This change was included in the American Jobs Creation Act of 2004 and applies to filers of Form 2290, Heavy Highway Vehicle Use Tax Return.

Beginning with the Form 2290 for the tax year that begins on July 1, 2005 and ends on June 30, 2006, the balance due shown on the form must be paid in full by the due date.

In previous years, taxpayers who timely filed Form 2290 could choose to pay the tax in up to four equal installments and it is believed that about 148,000 taxpayers chose this option last year.

In general, the highway use tax applies to trucks, truck tractors and buses with a gross taxable weight of 55,000 pound or more.

For trucks and other taxable vehicles in use during July, the Form 2290 and payment are due on August 31. The tax is based on weight and normally ranges from \$100 to \$550 per vehicle.



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

Senators Complain to IRS

Last week, Senate Finance Committee ranking member Max Baucus and a coalition of senators sent a letter to the Internal Revenue Service urging them not to close 68 IRS Taxpayer Assistance Centers (TACs).

The letter was addressed to the chair of the panel, Sen. Christopher S. Bond, and was signed by 25 Senators.

The letter accused the Service of backsliding from its focus on "customer service" mandated by the IRS Restructuring and Reform Act of 1998.

Reduced taxpayer usage of TACs was precipitated by the IRS's own cutbacks in staff and other resources, according to the Senators.

The Service is believed to have turned away many taxpayers seeking assistance and "dramatically reduced the number of tax returns that it allows its employees to help prepare," the letter said.

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Draft 2005 Schedule M-3 Released

On June 23, the Treasury Department and the IRS released a new drafter version of the 2005 Schedule M-3, which contains new line items for the domestic production activities deduction and interest expense.

According to the Treasury, the government hopes to release the final version this fall.

The 2005 Schedule M-3 is for use with Form 1120 returns filed for calendar year 2005, fiscal years that begin in 2005 and end in 2006, and tax years of less than 12 months that begin and end in 2006.

In addition to the new line items, the draft 2005 Schedule M-3 includes other minor modifications to the 2004 Schedule M-3 that are described in the "What's New" section of the draft instructions.

Money Funny

Rich

An English teacher asked her 8th grade class to write an essay on what they would do if they had a million dollars.

Larry handed in a blank sheet of paper.

"Larry!" yelled the teacher, "you've done absolutely nothing. Why?"

"Because if I had a million dollars, that's exactly what I would do!"