



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

Germany A Tax Haven For Criminal Fraud

In recent years, Germany has become a haven for criminal and terrorist organizations that are using tax fraud to siphon off tens of billions of euros from state funds...

Tax Tidbits

Some Useful Tax Tips

News From The IRS

IRS Receives Award

Strange But True

Maine Targets Camp Rentals

More Tax News

Ex-Arkansas Governors Unable to Change Plea

Germany A Tax Haven For Criminal Fraud

In recent years, Germany has become a haven for criminal and terrorist organizations that are using tax fraud to siphon off tens of billions of euros from state funds.

Written in a confidential report, the Federal Audit Court, the country's public finance watchdog, acknowledged that it had clear indications that terrorist organizations were increasingly engaging in value-added tax fraud, costing the state \$23 billion in 2003.

In one case the court reported on, crime rings in China, Israel, the UK and Dubai with suspected links to terror organizations had managed to claim Euros 1.15 billion in VAT refunds from phantom mobile-phone sales before the scheme was uncovered in February 2005.

Terrorism experts have said the reports backed mounting evidence that some terror organizations were resorting to funding methods previously associated with organized crime and mafia-like rings.

The report also suggests that sophisticated cross-border fraudsters are successfully using organizational gaps and inadequate communication between tax, judicial and police authorities in Europe and within the world, to their advantage.

While low-level VAT fraud involving unscrupulous but legitimate companies was more common in southern Europe, where it could reach up to 25 per cent of total VAT revenue, Germany was particularly exposed to large-scale fraud because of its federal structure.

With lack of communication and rivalries between Germany's regional law-enforcement agencies as well as limited resources and personnel were believed to be leading causes to delays in fighting VAT fraud.

In international cases, the report also found that authorities failed to use Eurojust, set up in 2002 to improve communication between the different law enforcement agencies.

Tax News

H&R Block Misreported Taxes and Buy Amex Tax unit

The company, which handles tax returns for 19 million Americans, has announced that it had overstated its profit by \$102 million in 2003 and understated its profit by \$11 million the next year.

In one of the most embarrassing disclosure's for the nation's largest tax preparer H&R Block, it was found that some of the largest revisions stemmed from accounting errors in the tax treatment of Block's 1999 acquisition of discount brokerage Olde Financial.

The company recently announced a bid to buy American Express' tax and business services division for \$220 million.

The company, when combined with H&R Block's RSM McGladrey subsidiary, would have \$1.05 billion in revenue, making it the fifth-largest accounting firm in the country.

The transaction is expected to be completed by September 30 and will require approval by the Justice Department.



Dates For The Diary

September 12

Employees who work for tips.

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

September 15

Individuals. Make a payment of your 2005 estimated tax if you are not paying your income tax for the year through withholding (or will not pay in enough tax that way). Use Form 1040-ES. This is the third installment date for estimated tax in 2005.

Corporations. File a 2004 calendar year income tax return (Form 1120 or 1120-A) and pay any tax, interest, and penalties due. This due date applies only if you timely requested an automatic 6-month extension.

S corporations. File a 2004 calendar year income tax return (Form 1120S) and pay any tax due. This due date applies only if you timely requested an automatic 6-month extension. Provide each shareholder with a copy of Schedule K-1 (Form 1120S) or a substitute Schedule K-1.

Corporations. Deposit the third installment of estimated income tax for 2005. A worksheet, Form 1120-W, is available to help you estimate your tax for the year.



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Tax Tidbits

- ◇ If you decide to sell those tax-free mutual funds you bought, be prepared to settle with Uncle Sam. Although your dividends from the mutual fund generally are not taxable, you must report either a gain or a loss when you sell your shares. The gain is taxable and loss can be used to offset capital gains and, if losses exceed gains, ordinary income with some limitations.
- ◇ The fair market value of assets on a person's death generally determines the basis for beneficiary. If the fair market value is less than the decedent's basis, the property will 'step down' to the fair market value. If the fair market value is more than the decedent's basis, the property will 'step up' to fair market value.
- ◇ Getting familiar with foreign tax credits, you don't have to work at Rock's Place in Casablanca to earn the foreign tax credit. You may deserve it, for example, if you own shares in a mutual fund that invests in foreign securities. If information from the fund shows that foreign taxes were paid on your behalf, you can treat that amount as an itemized deduction or claim a credit for taxes paid. The credit is almost always worth more because a credit offsets a tax liability dollar for dollar while the itemized deduction simply reduces the amount of income on which you pay tax.

News From The IRS

IRS Receives Award

The Internal Revenue Service was recognized for its community-based partnerships that link low-income taxpayers with organizations that prepare tax returns for free.

The IRS' Stakeholder Partnership, Education and Communications (SPEC) organization received the Connect American Partner of the Year Award.

The award is presented each year at the National Conference on Community Volunteering and National Service, the IRS is the first federal agency to receive the award.

Since its' creation in 2000, IRS' SPEC operation has worked to develop a community-based partnership model that links Earned Income Tax Credit, outreach and free tax preparation with asset-building strategies for low-income families.

IRS' SPEC outreach programs are geared toward low-income, elderly, disabled and limited English proficient individuals and families.

Connect America is an initiative of the Points of Light Foundation & Volunteer Center National Network, a network of diverse organizations working together to leverage volunteering and other resources to positively impact communities.



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

Maine Targets Camp Rentals

The Maine Revenue Service has begun taxing informal rentals, forcing thousands of Mainers who rent their camps and cottages to pay a 7 percent sales tax.

The new law which went into effect July 1, is expected to raise \$2.6 million over the next year.

The law applies to all cottage and condo owners who rent their properties, exemptions include those rented fewer than 15 days each calendar year, or when the renter makes the property their primary residence.

The state has required rental agencies to apply a 7 percent lodging tax for years, which is higher than the typical sales tax, to condo and cottage rentals but tax officials believed that casual rentals should face the same tax because they compete for the same customers.

Many of the camp owners are not happy with the new tax but they believe that most people will just ignore the tax and not pay it.

More Tax News

Ex-Arkansas Governors Unable to Change Plea

Former Governor Jim Guy Tucker was dealt a blow recently when a federal appeals court rejected a bid to withdraw his guilty plea in a tax fraud case, which was discovered during the Whitewater investigation of his predecessor, Bill Clinton.

In 1998 Tucker admitted that he conspired to impede the Internal Revenue Service by hiding the sale of a cable television business, coming two years after he was convicted on fraud in a case also brought by Whitewater prosecutor Kenneth Starr.

Former Governor Tucker resigned and was spared prison time due to his ill health, receiving 18 months of home confinement for the charge he misused money from a federally backed loan, as well as being ordered to pay \$1 million in restitution.

A federal judge previously lowered the amount owed to \$63,000, and Mr Tucker used that victory to argue that he had been charged under the wrong law, however the 8th Circuit Court of Appeals ruled that his courtroom admission to conspiracy meant the conviction would stand.

The charge arose after Kenneth Starr got permission in 1995 to expand the Whitewater probe after Tucker's name came up during the investigation.

In 1996, Tucker was convicted along with former Clinton Whitewater business partners James and Susan McDougal.

Mr Tucker replaced Clinton as Arkansas governor after he was elected president in 1992, he won a four year term in 1994 but then was indicted on the tax and fraud charges in 1995.