



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

Tax Increases Ruled Out to Cover Relief Efforts

President Bush announced last week that rebuilding the Gulf Coast would "cost whatever it costs" and that he would not raise taxes to pay for the recovery and at least some of the expense would be offset by budget cuts in other programs...

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Tax Increases Ruled Out to Cover Relief Efforts

President Bush announced last week that rebuilding the Gulf Coast would "cost whatever it costs" and that he would not raise taxes to pay for the recovery and at least some of the expense would be offset by budget cuts in other programs rather than coming from taxpayers pockets.

His call for some sacrifices in the federal budget came a day after he addressed the nation from a lectern in New Orleans, where he promised to rebuild the city and surrounding Coast heavily damaged by Hurricane Katrina.

More details were released by the White House about the president's proposals to provide incentives for rebuilding and assistance for displaced residence.

The Gulf Opportunity Zone program would offer special tax breaks to businesses and would cost about \$2 billion; school vouchers, worth up to about \$7,000 for displaced students, could be used for both private and public schools.

Administration officials are also considering a suspension of the steep import tariffs now imposed on cement from Mexico, lumber from Canada and numerous forms of Steel.

Mr Bush hasn't put a price tag on the rebuilding project however others have said that the federal government will quickly run through the already approved \$62.3 billion in relief aid from Congress and expect the cost to rise to as much as \$200 billion.

While President Bush has offered no suggestions about the kind of cuts that will happen, he has ruled out tax increases to pay for the reconstruction and relief costs.

The escalating bills for the damage caused by the hurricane have begun to worry members of Congress, with a growing number of Republicans distancing themselves from what they view as unchecked spending by the White House.

Even before the hurricane struck, budget analysts on Capitol Hill were already bracing themselves for rising deficits as a result of financial burdens including the war in Iraq and the Medicare prescription drug benefit program.

However, at present the main focus for the President and Congress, is to rebuild the battered Gulf Coast and help the victims get back their lives.

Tax News

Retirements Plans can make Loans for Katrina victims

The Internal Revenue Service recently announced that 401(k)s and similar employer-sponsored retirement plans could make loans and hardship distributions to victims of Hurricane Katrina and members of their families.

For the first time ever, the IRS and the Departments of the Treasury and Labor are providing broad-based relief to retirement plan participants affected by a major disaster.

401(k) plan participants, employees of public schools and tax-exempt organizations with 403(b) tax-sheltered annuities, and state and local government employees with certain 457 deferred-compensation plans may be eligible to take advantage of these streamlined loan procedures and liberalized hardship distribution rules.

This relief means that a retirement plan can allow a Katrina victim to take a hardship distribution or borrow up to the specified statutory limits from their retirement plan to repair or replace a home or for some other purpose.



Dates For The Diary

September 28

Regular method taxes (special September deposit rule). Deposit the tax for the period beginning September 16 and ending September 25.

October 11

Employees who work for tips. If you received \$20 or more in tips during September, report them to your employer. You can use Form 4070.

October 17

Individuals. File a 2004 income tax return and pay any tax, interest, and penalties due if you were given an additional 2-month extension.

Partnerships. File a 2004 calendar year return (Form 1065). This due date applies only if you were given an additional 3-month extension. Provide each partner with a copy of Schedule K-1 (Form 1065) or a substitute Schedule K-1.

Electing large partnerships. File a 2004 calendar year return (Form 1065-B). This due date applies only if you were given an additional 3-month extension.

Tax Tidbits

Here are the answers to last week's brain teaser questions.....

- ◊ A murderer is condemned to death. He has to choose between three rooms. The first is full of raging fires, the second is full of assassins with loaded guns, and the third is full of lions that haven't eaten in 3 years. Which room is safest for him?

The third. Lions that haven't eaten in three years are dead.

- ◊ A woman shoots her husband. Then she holds him under water for over 5 minutes. Finally, she hangs him. But 5 minutes later they both go out and enjoy a wonderful dinner together. How can this be?

The woman was a photographer. She shot a picture of her husband, developed it, and hung it up to dry.

- ◊ There are two plastic jugs filled with water. How could you put all of this water into a barrel, without using the jugs or any dividers, and still tell which water came from which jug?

Freeze them first. Take them out of the jugs and put the ice in the barrel. You will be able to tell which water came from which jug.

- ◊ What is black when you buy it, red when you use it, and gray when you throw it away?

The answer is Charcoal.

- ◊ Can you name three consecutive days without using the words Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, or Sunday?

Sure you can: Yesterday, Today, and Tomorrow!

- ◊ This is an unusual paragraph. I'm curious how quickly you can find out what is so unusual about it. It looks so plain you would think nothing was wrong with it. In fact, nothing is wrong with it! It is unusual though. Study it, and think about it, but you still may not find anything odd. But if you work at it a bit, you might find out.

The letter "e", which is the most common letter in the English language, does not appear once in the long paragraph.

News From The IRS

Relief Workers Get New Filing Deadline

Hurricane Katrina relief workers will now have until Jan 3 2006 to file any returns and pay any taxes due, according to the Internal Revenue Service.

Meaning that relief workers are now entitled to the same extensions that have been given to individuals and businesses located in the disaster area.

Eligible relief workers are encouraged to notify the IRS that they are affected by Katrina when they file returns.

Relief workers can get the extension by marking the top of appropriate forms with "Hurricane Katrina" written in red ink.

The IRS will abate interest and any late filing, late payment or failure to deposit penalties that would otherwise apply.

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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

Michigan leads call to target Web Sales

Michigan and 17 other states are joining together in one of the most determined efforts yet to persuade online and mail-order retailers to collect state and local sales taxes.

The Streamlined Sales Tax Project provides computer software and other items to make it easier for out-of-state retailers to calculate and collect the tax.

At present the states can't force retailers outside of their boundaries to do that but many firms have signed on to the project in the face of mounting pressure from Congress to pass a law making such collections mandatory.

Michigan looks to net \$8 million to \$12 million in the first year of the voluntary program with plans to increase the amounts as the effort gathers momentum.

Current state law requires Michigan residents to pay the 6 percent sales tax on items they buy over the Internet or from catalog retailers in other states.

But there's no legal way for the state to force retailers to collect the tax unless they have a physical present in Michigan.

More Tax News

Outspoken Author Faces Federal Tax Evasion Trial

An author has gone on trial in Las Vegas claiming that paying federal income taxes is voluntary and is currently facing federal charges including tax evasion and aiding in the filing of fraudulent tax returns.

Irwin Schiff, author of "The Federal Mafia: How the Government Illegally Imposes and Unlawfully Collects Income Taxes," and two co-defendants are accused of causing hundreds of people to file false returns and promoting tax-evasion schemes through Schiff's business, Freedom Books.

During opening statements, Mr Schiff, who is representing himself, claimed that no law requires Americans to pay taxes and the federal court had no jurisdiction over the matter.

Schiff is accused of failing to report income on federal tax returns from 1987 to 2002, and of evading payment of \$1.3 million in taxes, penalties and interest between 1979 and 1985.

If convicted, he faces a maximum sentence of 43 years in prison and \$3.25 million in fines.