



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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Health Care Tax Proposals Rejected by Voters

Voters from across the political spread are strongly opposed to changing the tax status of employer-provided health care benefits even if such a proposal was part of a tax reform package that reduces tax rates.

According to recent polls from Republican and Democratic voters, taxpayers oppose eliminating or reducing the employer deduction for health care benefits in return for lower overall tax rates.

More than nine-out-of-ten voters from both parties say they support keeping health care benefits free from taxation rather than taxing health care benefits to pay for reductions in other taxes.

The polls come as the presidential panel are evaluation various options to reform the federal tax code.

Voters are believed to be concerned that changing the tax status of health benefits could lead to diminished access to health care coverage.

Two thirds of voters, which were from Iowa, New Hampshire and South Carolina, are understood to have said that they were concerned that eliminating or reducing the employer deduction for health care could lead their employer to drop health care coverage all together.

Tax News

Federal Government Ends Fiscal Year In The Red

The federal government spent \$319 billion more than it collected in revenue during fiscal 2005, according to the final budget numbers that were released recently by the Treasury Department.

The \$319 billion deficit is the third largest in history, trailing only the 2003 and 2004 fiscal years, but at just 2.6 percent of the gross domestic product, the figure falls well short of the record deficits in the 1980s.

It is also slightly less than the projected \$333 billion shortfall projected by the White House Office of Management and Budget (OMB) in July.

As reported by the Treasury Department, the percentage of gross domestic product for 2005 was lower than the deficits of 16 of the last 25 years.

The belief amongst some committee members is that the administration will present the deficit as good news compared to the \$412 billion deficit in 2004, but the deficit in 2006 is almost guaranteed to increase, due to the bulk spending for hurricanes Katrina and Rita.



Dates For The Diary

October 31

Social security, Medicare, and withheld income tax.

File Form 941 for the third quarter of 2005. Deposit any undeposited tax. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until November 10 to file the return.

Federal unemployment tax.

Deposit the tax owed through September if more than \$500.

November 10

Employees who work for tips.

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

Tax Tidbits

Here are some interesting fact and figures about tax and the US tax system.

- ◇ It costs \$2.45 for the IRS to collect each \$100 in taxes
- ◇ 21% of paper returns have errors
- ◇ 0.5% of e-file returns have errors
- ◇ Aztecs used cocoa beans for money. Owners were taxed four cocoa beans for one rabbit
- ◇ Out of 127,982,000 individual income tax returns submitted for tax year 2003, the IRS issued 99,287,000 refunds. That's 78%
- ◇ The IRS refunded more than \$205 billion to taxpayers for tax year 2003
- ◇ Average refund amount for 2003 tax returns was \$2,073
- ◇ That's up from \$1,980 in the prior year

The most misused tax number

- ◇ The most misused Social Security number of all time was 078-05-1120
- ◇ That was on a fake, display "Social Security" card put in wallets sold at Woolworth in 1938
- ◇ The number belonged to the manufacturer's secretary, Hilda Schrader Witcher
- ◇ The sample card had no name on it and many confused it with their Social Security number
- ◇ In all, at least 40,000 people used Hilda's number on their taxes.

News From The IRS

Pension Plan Limitations Announced for 2006

The Internal Revenue Service has announced cost-of-living adjustments applicable to dollar limitations for pension plans and other items for tax year 2006.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the IRS commissioner annually adjust these limits for cost-of-living increases.

Many of the pension plan limitations will change for 2006. For more of the limitations, the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment.

For more information on the new pension plan limitations, contact your local IRS office or visit the website, www.irs.gov

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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

Paperwork Creating a Hassle for Charities

Charities that accept donations of used cars and other vehicles are struggling under new rules that require them to provide written acknowledgements of the donation to donors.

Many charities are believed to be unhappy with provisions in the American Jobs Creation Act of 2004 that in general requires donors to limit the deduction they claim for donated vehicles valued at more than \$500 to the amount the charity receives when it sells the vehicle.

Previously, taxpayers could claim a deduction based on the vehicle's fair market value.

Charities have complained that the change has led to a decline in donations, while the Jobs Act also requires donors to get a timely acknowledgment from the charity to claim a deduction.

Some charities have spoken of problems with getting the forms, as they are not readily available from the IRS in bulk packages while others are concerned they will need to hire extra staff to just handle the extra paperwork.

More Tax News

Kentucky Governor Supports Further Increase in Cigarette Tax

Kentucky Governor Ernie Fletcher has announced he would support raising the state's cigarette by another 10 cents or more in 2006.

The raise would be used to increase teachers pay or even allow teachers a tax credit to offset the added revenue.

Until last year, Kentucky had the lowest cigarette tax in the nation, at 3 cents per pack. On June 1 2004 the tax rose to 10 cents per pack.

Governor Fletcher has said that some lawmakers have approached his administration about another cigarette tax increase and that some have long supported a rate of \$1 per pack or more.