



## 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

### Politics, Lawyers and Taxes, What A Combination!

Well, after 4 years it is deja vu all over again as Yogi Bear would say.

### Scary Thought For The Week

Every Vote Counts!

### Website Of The Week

[www.taxadmin.com](http://www.taxadmin.com)  
Keeping an Eye on The Quality of State Taxes

### Tax Tidbits

This Week's tax tips

### Ask John

"I received a CP 2000 letter from the Internal Revenue Service. What does it mean?"

## Politics, Lawyers and Taxes, What A Combination!

Well, after 4 years it is deja vu all over again as Yogi Bear would say.

Down to the wire, with nail biting closeness. Lets hope the lawyers don't settle the election again this cycle. In an increasing fractious and divided country 15,000 attorneys do not make me feel more secure in our democracy.

No matter who wins be assured that the key economic factors; jobs, social security, health insurance, growth, taxes, and interest rates will all compete for attention from the Commander in Chief, along side security and terrorism, whomever it may be.

Mixed in with the above will be taxes. Money will have to be found to address an aging population, money to fund the deficit and higher interest rates.

If you have property that has appreciated it may be time to seriously look at selling it – tax rates while you perceive as high are like interest rates actually below the long-term trend line.

It is unlikely you will see any more tax cuts and the only other way is upwards. Look for increases in local property taxes as the federal government curtails funding to the county and city levels.

If you haven't voted, go vote – it is hard to complain about an elected office if you didn't participate.

Let's hope who ever wins, does so decisively so that we can get on with business and not endure 35 days of lawyer speak, talking heads and political pundits.

God Bless America

Welcome to BBS Tax weekly – feel free to email me directly at [john@bbstax.com](mailto:john@bbstax.com) if you have any comments or questions.

PRESIDENT

## Dates For The Diary

### November 10

Social Security, Medicare, and withheld income tax. File Form 941 for the third quarter of 2004. The due date applies only if you deposited the tax for the quarter in full and on time.

### November 15

Non-payroll withholding, if the monthly deposit rule applies, deposit the tax for payments in October.

## Tax News

The IRS announced recently that it is currently investigating about 60 charities, churches and other tax-exempt groups for possibly breaking federal rules that bar them from participating in political activities.

The investigations involve guidelines for 501(c) (3) groups, which have been granted tax-exempt status so long as they do not participate in political activities such as endorsing candidates or making campaign donations.

Such violations would threaten their tax-exempt status, said the IRS. Investigations are underway and more details will be released in time.

## Contact

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## Scary Thought For The Week

### Every Vote Counts!

On the eve of the presidential election, we thought it would be a good time to look at the differences between the numbers of voters in the last few elections and to just see how much every vote counts.

#### 1992

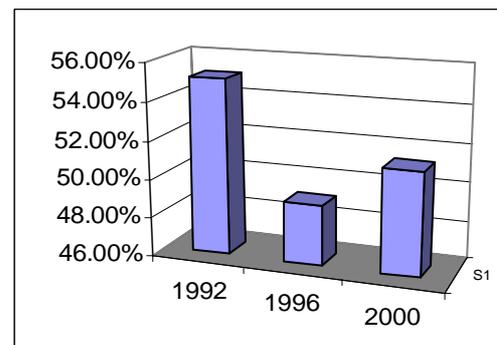
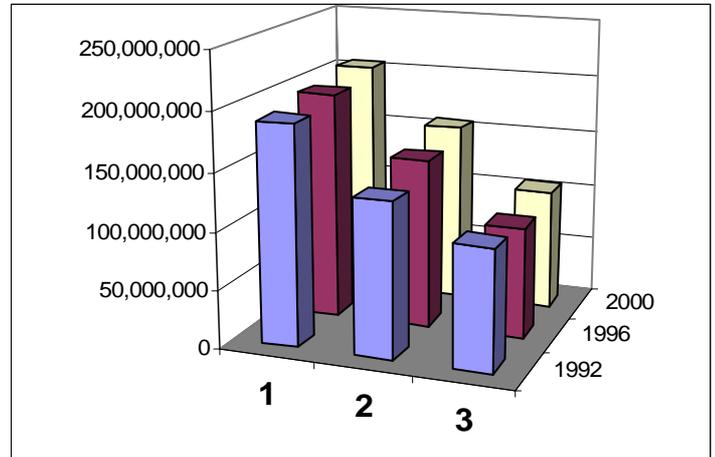
- 1 - Voting Age Population: 189,592,000
- 2 - Registered Voters: 133,821,178
- 3 - No. who actually Voted: 104,405,155
- % of Voters: 55.1%

#### 1996

- 1 - Voting Age Population: 196,511,000
- 2 - Registered Voters 146,211,960
- 3 - No. who actually Voted: 96,456,346
- % of Voters: 49.1%

#### 2000

- 1 - Voting Age Population: 205,815,000
- 2 - Registered Voters: 156,421,311
- 3 - No. who actually Voted: 105,586,274
- % of Voters: 51.3%



## Website Of The Week

### Keeping an Eye on The Quality of State Taxes

[www.taxadmin.com](http://www.taxadmin.com)

The Federation of Tax Administrators was first organized in 1937 to help improve the quality of state tax administration, and now their official website helps keep everyone from tax professionals to the general public informed about tax related issues.

Included in the website are links to the state tax agency homepages, state tax form and electronic filing sites as well as general information on all things state tax related.

Specialized information is also available on state-taxpayer efforts to promote uniformity in the administration of taxes on motor fuels as well as efforts to promote consistency in tax administration. By providing all the information needed about state tax rates and comparisons of state tax collections and so on, the FTA allow any average person to be adequately informed as the what he or she is required to pay as tax in their home state.

While many of the Federation of Tax Administrators reports and publications are available via a cost, the website has made certain and informative reports about such topics as Sales Tax agreement available to the general public. The FTA website is an informative and tax packed site that helps make people aware of the organization and the job that is strives to do in helping the general public by controlling the quality of state taxes.





## 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.

## Tax Tidbits

- ◇ Time to break some bad habits! Did you know that you can deduct as medical expenses, un-reimbursed amounts that you pay for alcohol or drug treatment programs. The cost of smoking-cessation programs is also deductible. However you cannot deduct what you pay for weight-loss programs, unless they are recommended by your doctor to treat a specific condition.
- ◇ What many don't know is that your basis in an inherited home is the fair market value at the time of the prior owner's death. When you sell property, you usually have a gain or loss, that being the difference between the sale price and the inherited value plus the expenses of the sale. If the amount is a loss, it is a deductible capital loss provided you did not use the home as your principal residence.
- ◇ 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 other ordinary income with some limitations.

## Ask John

### The Question

*"I received a CP 2000 letter from the Internal Revenue Service. What does it mean?"*

### The Answer

The notice system that IRS employs usually starts with the issuance of a notice of adjustment – a CP2501 (an income verification notice) a CP 2000 Notice of Proposed Adjustment for underpayment/overpayment and a CP 13 we changed your account, or a 30 day letter notifying you of the results of an audit.

Do not ignore these notices, they don't go away and time is of the essence in replying to them. If you fail to respond to the notices, or if the IRS isn't satisfied with your reply or if you fail to satisfy your appeal rights a Statutory Notice of Deficiency is issued. Remember that adjustments merely correct math and calculation errors or assessing a penalty do not require the issuance of a Statutory Notice. Why the big deal over this kind of notice? The law requires a Statutory Notice if the IRS is demanding more than your return revealed you owed.

When the IRS makes an assessment that amount plus penalties and interest is entered into the Service Centers computers under your social security number. The service center sends four notices. The first three come at approximately 5-week intervals over a 15-week period. All three notices demand payment in 10 days. The fourth notice announces that things are about to turn to custard.

The first notice is either a notice informing you that there is a balance due (you filed but didn't pay what you owed) that there was a math error or that an adjustment was made to your account (for example you didn't make all the estimated payments you claimed). The notice explains the reason(s) for the change plus that penalties are being assessed.

Unfortunately interest is always charged when there is a balance due. The second notice is Form 501 Reminder Notice Balance Due. The third notice is a CP 504 Urgent Notice – Balance Due. The fourth notice is sent by certified mail 30 days after the third letter. The law requires certified mail prior to property seizures or salary garnishment. This final notice bears the legend Letter 1058(Rev 01-1999)(Lt11) Final notice of intent to levy and Notice of your right to a hearing. This notice informs you that if payment is not received in 30 days or you don't request a collection hearing within that period IRS has the right to seize your property and garnish your wages. You can expect to receive this type of notice (letter) about 18 weeks after the first notice.

Remember – a) contact us as soon as you get any correspondence from IRS b) knowing these series of letters and if you have a valid balance due you can have an effective 18 week payment arrangement c) if you have any questions call – these letters mean that IRS means business