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Wow! Another tax season come and gone. Let's take a look at some of the details:

## TAX SEASON 2004

There were several interesting wrinkles this year: The February 3 vote on Oregon's Measure 30 (which ultimately failed to pass) forced us to delay filing some of our earliest returns. Our commitment to electronically filing tax returns presented new "challenges." And continued law changes meant those of us in the tax department here had to pay close attention at our annual tax update seminars.

◆ **By the Numbers.** By April 15 Larry A. Jaffe, P.C. had logged in 262 individual and business tax returns, up about 10 percent from the prior year. . .we filed 65 individual tax returns electronically. . .we prepared and filed 67 individual federal tax return extensions. . .we accumulated some 400 hours of staff overtime. . .by early April, the IRS had logged in some 68 million 2003 individual income tax returns. . .some two-thirds of those were electronically filed

◆ **Effect of the New Tax Law.** The federal tax act of 2003 impacts all taxpayers differently. . .one indicator is the effective tax rate shown at the bottom of the income tax summary we include with the client copy of individual returns. . .in a very unscientific sampling of three of our clients, effective tax rates declined by 1.4%, 3.5% and 3.9%. . .curiously, the smallest percentage decline went to the client with the smallest taxable income while the largest percentage decline was enjoyed by the client with the greatest taxable income

◆ **Who's Preparing Your Tax Return?** More and more accounting firms are reducing costs by outsourcing tax return preparation to foreign countries. . .according to the Associated Press, Indian chartered accountants will prepare some 175,000 U.S. tax returns this year, up from about 20,000 in 2003. . .the same article notes that average pay for an accountant in India is \$250 to \$300 per month. . .for a variety of reasons, Larry A. Jaffe, P.C. does not outsource tax return preparation and has no plans to do so

## HEALTH INSURANCE OPTIONS

Back in the "good old days" it was easy: you took a job with a company which paid for your health insurance. If you had a family, your coverage was extended to spouse and children. Nowadays those employers who offer health coverage often require the employee to pay the cost of insuring the spouse and dependents, and many employees even pay part of the cost of their own insurance. That's why it's important to understand the basics of alternatives to traditional health insurance.

◆ **Cafeteria Plans.** Also known as Section 125 plans, these programs allow employees to voluntarily withhold part of earned

income to pay medical expenses. . .amounts withheld are exempt from federal and state income and payroll taxes. . .amounts not used by year-end are forfeited. . .costs to employers of administering the plan are offset by reduced payroll taxes

◆ **Health Reimbursement Arrangements.** HRAs allow employers to reimburse employees for medical expenses. . .reimbursements are deductible by the employer and are exempt from employee taxable income. . .these plans are generally easier and cheaper to administer than Section 125 plans

◆ **Health Savings Accounts.** These plans replace the old Archer Medical Savings Account plans. . .HSAs are used in conjunction with coverage under high-deductible health insurance policies. . .employee contributions to these accounts are generally tax deductible. . .distributions to pay medical costs not covered by insurance are exempt from tax. . .amounts remaining in the account at year-end are not forfeited but carried over to the following year. . .earnings on the account are tax deferred

If you hear about traditional health insurance offered at bargain basement prices, beware; a recent Eugene Register Guard article noted that 144 unlicensed companies have sold more than 200,000 policies nationwide, leaving more than \$250 million in unpaid medical claims.

#### OUR PAPERLESS OFFICE - PART I

Now that we've come up for air, our office is moving forward with an exciting and far-reaching project: a commitment to significantly reduce the amount of paper in our office. For now, this involves three primary areas:

◆ **Electronic Filing.** E filing remains our preferred method for filing individual tax returns. . .clients will continue to receive paper copies of the return for their files. . .eventually, client copies may also be sent electronically. . .we plan to begin e filing business returns in the near future

◆ **Electronic Storage of Tax Returns.** On July 1 we'll begin storing tax returns on computer hard drives. . .electronic storage is easier, cheaper and more secure than paper returns stored in file cabinets. . .source documents used to prepare the returns will be scanned and also saved to computer hard drives

◆ **Electronic Storage of Other Documents.** Other items we hope to convert from paper in the near future include financial statements, payroll tax reports and client "permanent file" documents. . ."paperless" remains an unattainable ideal, but we believe we can cut our paper clutter in half within one year

We're extending a big welcome to our newest employee. Connie Swartz will be handling the front desk and assisting with various payroll and bookkeeping projects. Connie takes over for Dawn Linder, who will begin working full-time in our payroll and bookkeeping departments. Finally, congratulations to both Dawn, who graduates from LCC next month with an associate degree in accounting, and to Wendy Sayer, who marks her five-year anniversary with LJCPA next month.