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Another tax season in the books! This season marked the first in which we did not retain a physical tax file for our clients. Instead, tax returns and supporting documents such as W-2s, 1099s, etc have been electronically stored in read-only format. The transition to "paperless" tax files was generally smooth and it's empowering to be able to access any client tax file without having to walk down the hall to the (old) file room.

ALL ABOUT EXTENSIONS

We filed 68 individual federal income tax extensions for our clients this year. Our preparation cutoff date was about March 23; most clients who brought in complete tax information by then received their completed returns by April 15. Some things regarding extended returns to be aware of:

◆ **More Time to File, Not to Pay.** Filing Form 4868 by April 15 automatically allows taxpayers until August 15 to file their individual federal tax return. . .penalties are assessed if the taxpayer fails to pay in at least 90 percent of the tax due by April 15. . .interest will also be charged. . .taxpayers may request a second extension until October 15 if necessary. . . failure to file an extension can preclude taxpayers from making favorable tax elections. . .extending a return also extends the time to make certain employer retirement plan contributions but does not extend the deadline for individual IRA contributions

◆ **Oregon Extensions.** Oregon generally allows the same extension available for federal returns. . .no additional form is required. . .any tax due should be paid by April 15 to minimize state interest and penalties

◆ **LJCPA procedures.** We make every effort to contact clients well in advance of April 15 when an extension is required. . .due to the large volume of extended returns, it may take some time after April 15 to prepare your return. . .as always, be sure to call us if you have any questions about your extended returns

HOW TO REVIEW YOUR TAX RETURN

OK, so it's not great literature. But your tax return does have some important information contained within its pages and it's all about you. So you might want to take some time to review the return you recently received from us. And take comfort your return was not prepared by Ella Mae Peterson. (More on Ella Mae later)

◆ **Check Out the Front End.** Just inside your tax folder is a cover letter. . .this contains info about your filing deadline, the amount of taxes you owe or the amount of refunds to expect and filing method. . .behind the letter is a federal income tax summary which compares your current year tax data to last year's

◆ **Focus on the Big Picture.** The federal tax summary highlights year-to-year changes in your tax situation. . .reading this can help you understand why your total federal tax went up or

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down. . .remember that changes in the amount of your W-2 withholding or estimated taxes paid can have a big impact on the ultimate amount of taxes due. . .small errors will not usually have a significant effect on your return. . .we'll be happy to meet with you to discuss any of the items on your return of course

♦ **And Just Who Is Ella Mae Peterson??** According to the current issue of Accounting Today, she prepared 1,751 tax returns for H&R Block from 2000 through 2003. . .31 of those returns were audited. . .every one revealed improper, inflated or fictitious deductions. . .the Justice Department asserted that Peterson cost the U.S. Treasury more than \$6.5 million. . .a spokesperson for Block commented, "Our training, monitoring and supervision of tax professionals is unquestionably the best in the industry". . . maybe, maybe not. . .we liked the IRS spokesperson quote better: "If you have your tax return prepared, review it carefully and make sure what you file with the Internal Revenue Service is accurate"

THAT AWFUL, ICKY B WORD

The Bankruptcy Abuse Prevention and Consumer Protection Act was signed into law by President Bush on April 20. Proponents say this will help cure abuse; those opposed say the bill punishes the financially needy while preserving loopholes for the wealthy. Over the years we've worked with more than a few clients who filed for bankruptcy protection. In virtually every instance, it's my personal belief that these people exhausted every effort to avoid this action but were eventually forced to throw in the financial towel.

♦ **What's It All About?** Chapter 7 bankruptcy erases certain debts entirely after most of the debtor's assets have been liquidated. . .Chapter 13 is a court-ordered repayment plan often involving significant debt restructuring. . .state laws vary greatly on rules and protection

♦ **The New Law.** Many prospective bankruptcy filers with minimal income will be ineligible for Chapter 7 protection and will instead be forced into Chapter 13 repayment plans. . .filers will be required to pay for credit counseling. . .wealthy individuals can shield from creditors millions in IRAs and company retirement plans. . .costly asset protection trusts can still be used to remove various assets from the reach of courts and creditors. . .bankruptcy attorneys may be held liable for inaccurate info, which no doubt means higher legal fees for clients

♦ **Bottom Line.** If you're considering bankruptcy, seek help now; most of the new law takes effect 180 days after Bush signed it. . .beware of debt reduction agencies; many of these outfits charge large sums while doing little to help

Been to our website yet? It's a great place to learn a little about us and what we do. It's also a good starting place to send those people who ask you to recommend a CPA. So check us out at www.lajcpa.com.