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Well looky there; it's that time of year again! There are lots of signs around here that busy season has begun: new computers, new software, annual tax update classes and a general sense of heightened urgency around the office. By now, most of you should have received your 2005 tax organizers. (Please let us know if you expected one but failed to receive it.) Completely and accurately filling out the tax organizer is the best way to reduce your tax preparation fee. If you'd like to meet with us when you drop off your organizer just call our office and schedule an appointment.

WHAT'S NEW -- FEDERAL TAX UPDATE

Several recent pieces of legislation included various tax provisions. Here are some of the highlights:

◆ **Vehicle Use.** The mileage rate for business use of cars dropped to 44.5 cents per mile at January 1. . .that's down from the previous rate of 48.5 cents for late 2005 but up from 40.5 cents where we started last year. . .deductions for donated vehicles must be substantiated by a written acknowledgement from the charity. . .the amount of the deduction is generally limited to the charity's sale proceeds. . .the deduction for clean fuel vehicles was replaced on January 1 by new credits of up to \$3,400, depending on fuel efficiency

◆ **Energy Credits, Effective January 1.** Taxpayers can claim a tax credit of up to 10% of the cost of installing energy-efficient doors and windows to their residence. . .individuals can also claim credits of up to \$300 for energy-efficient heat pumps and up to \$150 for new gas, oil or propane furnaces or hot water boilers. . .a credit of up to 30% of the cost is available for qualified solar energy equipment. . .typically more beneficial than deductions, tax credits reduce income tax dollar for dollar

◆ **Other Items.** A single six-month extension for individual tax returns replaces the old system of a four-month and an additional two-month extension. . .the extension represents additional time to file the tax return, not additional time to pay any tax due. . .individuals participating in 401(k) and 403(b) plans can, if their plan allows, treat all or part of their contributions as Roth contributions. . .employees covered by certain cafeteria plans can use 2005 contributions for services provided during the first 2½ months of 2006

TECHNOLOGY: INTO THE 21ST CENTURY, KICKING AND SCREAMING

Do you seek to leverage the latest technological advances to attain maximum operational efficiency in your professional and personal life? Or do you contemplate lazy days at Walden Pond,

far from the electronic distractions of our modern age? Like everything else, technology has its pros and cons, its advantages and disadvantages.

◆ **Paperless, Phoneless:** We remain committed to greatly reducing the amount of paper we print and preserve. . .that means all of us have at least two monitors at our desk and some employees have three. . .many of us have desktop scanners we use to electronically store documents which can then be accessed easily by anyone in the office from their desk. . .we communicate with many of our clients primarily by e mail. . .we access the computer systems of several clients from our office, via the internet. . .at least one of our employees will soon be "telecommuting," accessing our system and client computers from her home office

◆ **Oh, But Not Without its Costs.** Reducing paper means relying on electronic back-up systems. . .e mails are efficient but the tone can often be misconstrued because of the lack of human warmth present in phone conversations. . .software/software and software/hardware conflicts are a common source of frustration as smaller, cheaper computers are asked to do more and more

◆ **The Happy Medium.** Most of us have no choice: to remain competitive at our jobs we must maintain our technological skills and use appropriate technological tools. . .it helps to use safeguards to prevent potential electronic catastrophe. . .backup, backup, backup. . .learn about internet protection tools like firewalls. . .change your passwords occasionally and keep them in a secure location. . .employers should consider adopting written policies regarding employee use of computers, software and other company assets

CLIENT CORNER - Umpqua Dairy Products Co.

Rd.

Got milk? Umpqua Dairy does! Since 1931 the family-owned business in Roseburg has brought the best dairy products to the Pacific Northwest. Now the largest independent dairy company in Southern Oregon, the company's current product line includes milk, ice cream, cottage cheese, sour cream and butter. "We're especially proud of being a third-generation family business," says president Doug Feldkamp. "That shows our commitment to quality, customers and employees."

CORRECTION - Some of our clients received a year end payroll letter with some incorrect information. Oregon Worker's Benefit Fund (WBF) contribution has decreased for 2006, going from .034 cents per hour to .03 cents per hour. Half is deducted from the employee's wages and the other half is matched by the employer. We apologize for the error.

We'll be catching up soon to those clients we only get to see and talk to once a year. To you and also to those clients with whom we interact throughout the year we extend our traditional tax season greeting: Many Happy Returns!