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Once again, tax season has come and gone. Here's a quick recap:

### 2006 FILING SEASON

After a seemingly slow start, the customary number of tax organizers and return info packets began flooding the office in early March. By April 15 we'd logged in approximately 200 individual tax returns, with more still coming in.

◆ **Individual Return Notes.** Beware of fraudulent IRS e mail refund notices - the IRS does NOT use e mail or the internet to contact taxpayers. . . according to the National Society of Accountants, professional preparation of a 1040 with itemized deductions averages \$201, with additional charges for other schedules. . . some 73 percent of the 54 million 2005 individual income tax returns filed by early March were electronically filed

◆ **Never the Same.** Perhaps the most significant change for 2005 returns was the manufacturing deduction. . . a subtraction from taxable income of 3% of "qualified production activities" was allowed for the first time. . . the change affected our clients in manufacturing, construction and other industries. . . more of our clients are using new health savings accounts, medical IRA accounts used in conjunction with high deductible health insurance policies. . . the new definitions for dependents led to some head scratching in one or two situations (only in the infinite wisdom of the IRS can your brother be your qualifying child)

◆ **Extensions.** We prepared and filed 86 2005 individual tax return extensions, up from 68 a year ago. . . these extend until October 16 the due date for filing the tax returns. . . Oregon generally allows the same extension. . . any federal or state taxes due must have been paid by April 15 to avoid interest and penalties

◆ **Other Taxing Matters.** We told you in Green Sheet #17 how H&R Block admitted to the SEC that it had overstated net income for 2003 and 2004 by more than \$91 million. . . this was due largely to errors in calculating its own income taxes. . . Block, one of the largest tax preparers in the world, now says it also miscalculated its own state taxes by about \$32 million. . . the IRS is aggressively auditing SIMPLE IRA plans for compliance with plan document requirements. . . employers have until December 31 to update; potential penalty is disallowance of all retirement and tax benefits and payroll tax adjustments

Tax season is always a difficult time of year. There's no way I'd be able to get through it without the hard effort and long hours put in by a dedicated staff I'm very proud to work with: Bethel Willocks, Alicia Sage, Wendy Sayer, Dawn Bryson and our newest team member, Jeanne Weiler. My thanks to each of them.