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**CERTIFIED PUBLIC ACCOUNTANT**

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Fasten your seatbelts; we're off on another joy ride through tax season. This is number 16 for our firm, but I'm betting we'll still see a couple of things we've never seen before. In fact, our office is making a dramatic change to the way we prepare individual tax returns. More on that later. First, let's look at how the change in administration in Washington, D.C. is likely to affect the taxation landscape.

## THE NEWS IN BRIEF

◆ **Economic Stimulus Package Winds Through Congress.** The House and Senate might need to reconcile their versions but President Obama's stimulus package will win approval in the near future. It will likely contain some or all of these provisions: a payroll tax credit of up to \$500, \$1,000 for joint returns. . . a tax credit of up to \$7,500 for eligible new home buyers, with no payback provision. . . a one-time payment of \$300 to eligible retirees. . . expanded earned income, education, energy and child credits. . . a one-year "patch" of the alternative minimum tax to reduce the number of taxpayers affected by this tax. . . exclusion from taxation of \$2,400 of unemployment benefits. . . extension of 50% first-year "bonus" depreciation for 2009. . . extension of the immediate deduction of assets up to \$250,000 to 2009. . . expansion of loss carrybacks from two to up to five years.

In addition to tax provisions, the legislation will include hundreds of billions in spending projects. With unemployment in Oregon approaching 10 percent, our local economy can certainly use some help.

## THE SKELETONS IN YOUR TAX CLOSET

Ever wonder what it might be like to change jobs to something like Official U.S. Presidential Cabinet Appointee? Before you do, you might just want to review those old 1040s. Let's consider the recent and not-so-recent history:

◆ **Timothy Geithner.** Geithner, an Obama nominee, recently won approval as secretary of the U.S. Treasury and, therefore, CEO of the Internal Revenue Service. . . this despite the fact that a recent IRS audit determined that Geithner had understated his tax liability for 2003 and 2004. . . Geithner paid back tax, penalty and interest for failing to pay self-employment tax on income he received from the International Monetary Fund. . . Geithner blamed TurboTax (popular tax preparation software) and the professional preparer he subsequently turned to, who apparently made the same mistake.

◆ **Tom Daschle.** Daschle is another Obama cabinet nominee, under consideration to head the Department of Health and Human Services. . . Daschle recently filed amended tax returns to report and pay more than \$100,000 in tax, penalty and interest. . . the adjustment stems primarily from Daschle's acceptance of a car and chauffeur from a wealthy associate. . . "In preparation for his nomination, Senator Daschle and his accountant identified some tax issues and fixed them," said a spokesman.

♦ **Caroline Kennedy.** It's been reported that a "tax problem" and/or "nanny" issues may have convinced Caroline Kennedy to terminate her bid for the senate seat Hillary Clinton vacated when she became secretary of state.

♦ **Zoe Baird.** Baird was Bill Clinton's nomination for attorney general in 1993. . .Baird withdrew from the process when it was learned she'd hired undocumented aliens as household employees but failed to pay the appropriate amount of "nanny tax" by filing Schedule H. . .ultimately, Baird and her husband paid some \$16,000 in tax, penalty and interest. (Kimba Wood, Baird's successor-nominee, was torpedoed by a similar undocumented alien issue.)

#### **TECHNOLOGY UPDATE**

Here at Larry A. Jaffe, P.C. we continue to seek improvements in the services we provide to our clients by utilizing advances in equipment and procedures. Some examples:

♦ **Tax Preparation Automation.** Most 2008 individual tax returns prepared in this office will utilize optical character recognition technology. . .tax organizer workbooks and standard tax reporting documents such as W-2s and 1099s will be specially scanned. . .data will then be transferred automatically from the document to our tax preparation software. . .two different employees, minimum, will review the data for accuracy. . .we expect this technology will improve both accuracy and efficiency.

♦ **Lots Less Paper.** Most documents we previously stored in paper format are now stored in electronic format. . .advantages include ability to access documents from remote locations, speed and ease of transmitting documents (e.g., e-mail attachments), and a reduced number of those unsightly steel file cabinets. . .client data is backed up nightly onto external hard drives, with at least one of these drives stored offsite.

♦ **Other Gizmos and Gadgetry.** Terri Messler-Cole's electronic pen never runs out of ink. . .more than half our staff works from home on occasion, accessing our computer network via the internet. . .we are testing web cam and voice over internet technology to enhance communications between employees when one is working from a remote location. . .all employees now have two or three monitors to facilitate simultaneously working with multiple software applications.

#### **FOR THE RECORD.**

We often get quizzed by clients wondering how long they should retain their tax records. In general, keep your tax returns forever, and keep the records supporting your returns for at least three years from the date you file the return. Keep all employment tax records at least four years from the date the tax was due or paid. For more detailed info, visit [www.irs.gov](http://www.irs.gov).

As always at this time of year, we look forward to renewing acquaintances with those clients we haven't seen in a while. Here's hoping for refunds all around!