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The vast majority of our individual tax clients should have received LJCPA 2002 income tax organizer workbooks by now. Please find some time in the next few weeks to complete your tax organizer and return it to us with your related income tax documents. Preparing returns is easier for us (and cheaper for you!) if the organizer is completed accurately and returned to us in a timely manner.

NEW AGAIN: ELECTRONIC FILING AT LJCPA

We will again offer electronic filing for 2002 individual federal and Oregon income tax returns. An additional fee of \$25 will be charged for this optional service to cover software charges and staff time.

◆ **Why File Electronically?** E-filed returns are more accurate than paper returns, as they do not have to be re-keyed by government employees. . . IRS will confirm that the e-filed return has been accepted. . . biggest advantage is faster refunds. . . IRS claims refund delay is halved; refunds arrive in as few as 10 days with direct deposit

◆ **How to Select E-file option:** Check the "YES" box on your income tax organizer questionnaire to choose the electronic file option. . . also fill out the direct deposit info and attach a voided check or deposit slip. . . as always, call us for more information

LEGISLATIVE UPDATE

The defeat of Oregon's measure 28 on January 28 means top state tax rates for individuals and corporations remains 9% and 6.6%, respectively. Oregon Department of Revenue, which had deferred processing any tax returns until the issue was decided, is now reviewing filed returns.

On January 7 President Bush outlined an economic stimulus plan with several major tax provisions. Congressional support appears to be lukewarm at this point but some sort of package will almost certainly emerge before year-end. Highlights of the Bush proposal:

◆ **Tax-free Dividends.** Eligible dividends paid after 12/31/02 would be excluded from taxable income. . . dividends would have to be paid from previously taxed corporate income to be excluded. . . some wealthy taxpayers would reap tax reduction windfalls. . . working stiff's would see minimal benefit

◆ **Accelerated Tax Rate Reduction.** Top federal tax brackets are scheduled to be reduced over the next several years. . . Bush plan pushes effective date to 1/1/03. . . top 2003 individual tax brackets would be 25, 28, 33 and 35 percent instead of 27, 30, 35 and 38.6 percent

◆ **Miscellaneous Provisions.** Maximum annual expense deduction for depreciable equipment would increase from \$25,000 to \$75,000. . .tax brackets and standard deductions would be adjusted as of the first of this year to offer relief from the "marriage penalty". . .increase in child tax credit from \$600 to \$1,000 would also be implemented at 1/1/03

Democrats have responded with their own plans, including one that would rebate up to \$1,530 of payroll taxes per couple

INCOME TAX RECORDKEEPING

A recurring theme at tax education classes this year was the need for recordkeeping to support income and deductions reported on tax returns. Here are the basics:

◆ **General Rule.** Treasury regulations vaguely require taxpayers to "keep such permanent books of account or records" as are sufficient to calculate taxable income and deductions. . .records must be retained as long as contents may be a factor in applying tax law. . .records should be kept at least three years, the period IRS is generally allowed to examine tax returns

◆ **Charitable Contributions.** Donations are deductible only if "verified" by IRS. . .canceled checks or receipts are generally adequate for cash contributions under \$250. . .above \$250, taxpayer must obtain written acknowledgment of amount of cash donation, and value of any non-cash contribution. . .non-cash contributions above \$5,000 must be appraised. . .try www.itsdeductible.com for information re estimated value of non-cash items

◆ **Travel and Entertainment.** "T&E" expenditures are subject to stricter documentation requirements than other income tax deductions. . .must be substantiated with record of amount, time and place, business purpose. . .taxpayers can use standard meal allowance for travel meals but must still substantiate other items

◆ **Estimates OK.** Reasonable estimates are allowed for most tax return items. . .some support should exist (e.g., a mileage log maintained for part of a year). . .avoid trying to conceal an estimate as anything else; use rounded dollars or miles

LJCPA CLIENT RECORD RETENTION POLICY

<p>We keep your tax returns and copies of supporting documentation for at least three years from the filing date. Client returns and records are then destroyed. If you wish us to forward these items to you rather than have them destroyed, please contact our office.</p>

◆ **Reminder.** As mentioned in Green Sheet #4, the IRS is currently allowing taxpayers to track the status of refunds at www.irs.gov. . .you'll need social security numbers, filing status, type of return and amount of refund

Everyone here at LJCPA is looking forward to renewing acquaintances with those of you we see just once a year. To all of you from all of us: Many Happy Returns!