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Special Interest Articles

False sense of security?

The IRS offers businesses help with the IIR.

Deduct the stress from your tax burden.

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Spotlight On Security

A recent survey commissioned by Taxsoftware.com revealed that 68% of the public is concerned that personal and financial information would not be kept private and secure if placed on the Internet, down from 83% nine years ago.

Taxsoftware.com Vice-President Mickey Macedo observed a growing complacency. "The marked decrease in concern over online security suggests that new generations of Internet users may be making unwarranted assumptions

about the safety of the information they share online," he said.

Of course, as Macedo noted, "The overwhelming majority of Americans continue to believe that the Internet may be the equivalent of a giant sieve that offers little peace of mind on matters related to privacy and security."

"Based on the Internet's proven and continued vulnerability to vandalism, tampering, and break-ins, the American people have good reason to continue to be more worried and



skeptical—not less—about cyber-security," Segal said.

Such security concerns were the impetus behind the design of Taxsoftware.com, the first guaranteed secure Internet-based income tax preparation program.

Taxsoftware.com stores data on the user's computer, ensuring that the user has ownership and control of their own tax information. With Taxsoftware.com, Internet tax preparation is safe, secure, and foolproof.

Business Tax Issues Resolved

Business taxpayers and associations facing problematic tax issues can find help through the Industry Issue Resolution (IIR) Program. When a tax treatment is uncertain, frequently disputed, or burdensome, businesses can submit the issue to the IRS, by March 31, 2006, to be considered for IIR project selection and inclusion in the 2006–2007 Treasury and IRS Guidance Priority List.

The IRS's IIR program is intended to resolve business tax issues common

to significant numbers of taxpayers. In past years, issues submitted by both small and large business taxpayers have resulted in tax guidance for thousands of business taxpayers in a variety of industries. Some of the latest guidance issued includes:

- Providing a safe harbor accounting method that heavy equipment dealers can use to calculate heavy equipment parts inventories using standard price lists.
- Allowing companies to reduce administrative

burden by signing employment tax returns by facsimile.

An IIR team gathers relevant facts from taxpayers or other interested parties affected by the issue, then recommend methods to resolve the issue. The IRS reviews submissions semi-annually, after March 31 and August 31 of each year. Submission procedures and selection criteria are described in Revenue Procedure 2003-36, available on the IIR program Web page at irs.gov.



"Never spend your money before you have it.."

*Thomas
Jefferson, 3rd
President of US
(1742-1826)*

Avoid Tax-Time Stress

Looking for ways to avoid the last-minute tax rush? Here are some ideas to make filing taxes less taxing.

Don't Procrastinate. Resist the temptation to put off your taxes until the very last minute. Haste makes waste: you may overlook potential sources of tax savings or increase your risk of making an error.

Visit the IRS Online. Anyone with Internet access can find tax law information

and answers to frequently asked tax questions.

File Your Return Electronically. IRS e-file is the fastest and most accurate way to file a tax return. And if you're expecting a refund, the waiting time for e-filers is half that of paper filers.

Don't Panic if You Can't Pay. You can apply for an IRS installment agreement, with monthly payments, or charge your balance on a credit card. Electronic filers

with a balance due can file early and authorize the government to take the money directly from their checking or savings account.

Request an Extension of Time to File – But Pay on Time. If the clock runs out, you can get an automatic six-month extension of time to file—if you pay. See IRS Form 4868 at irs.gov or call 1-800-TAX-FORM (800-829-3676) for copies.

Taxes As Itemized Deductions

If you file Form 1040 and itemize deductions on Schedule A, you may be able to deduct four different types of taxes you've paid.

State and local income or sales taxes: You can choose to claim a state and local tax deduction for either income or sales taxes on your return. You can deduct any estimated taxes paid to state or local governments and any prior year's state or local income tax paid during the tax

year. If deducting sales taxes instead, you may deduct actual expenses or use the optional tables provided by the IRS to determine your deduction amount.

Real estate taxes: Deductible real estate taxes are usually any state, local, or foreign taxes on real property. You can deduct only the amount actually paid during the year to the taxing authorities.

Personal property taxes: Personal property taxes are deductible when they are based on the value of personal property, such as a boat or car. To be deductible, the tax must be charged to you on a yearly basis.

Foreign income taxes: Generally, you can take either a deduction or a tax credit for foreign income taxes, but not for taxes paid on income that is excluded from U.S. tax. See in IRS Publication 17, for more information.

IRS Interest Rates Unchanged

IRS interest rates for the second quarter of 2006, beginning April 1, 2006, will remain unchanged as follows:

- 7 percent for overpayments (6 percent in the case of a corporation);

- 7 percent for underpayments;
- 9 percent for large corporate underpayments; and
- 4.5 percent for the portion of a corporate overpayment exceeding \$10,000.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3 percentage points.

E-Filing Numbers Up

Taxpayers are e-filing at a record pace this year. The biggest increase is in returns e-filed from home computers, up almost 17 percent over last year's figure.

"Each year, we are seeing more taxpayers choosing e-file, with the highest growth belonging to those who file from a home computer," said IRS Commissioner Mark W. Everson. "E-file is a safe, accurate way to quickly finish your taxes and get your refund."

Of the 60.7 million returns filed so far this year 71.5 percent were e-filed, compared to 69.7 percent for the same period last year. While this percentage will decline as the April filing deadline approaches, the IRS expects that e-filed returns will make up more than half of all returns filed.

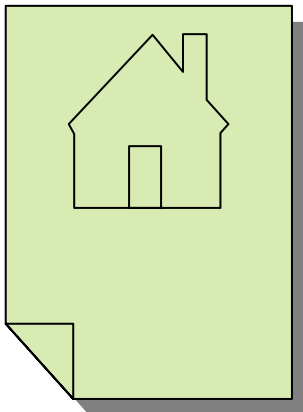
The IRS also released statistics from this year's Free File program, which are part of the self-prepared e-file category. About 2.65 million taxpayers used Free File through March 9. While this number dropped from 3.33 million returns filed during the comparable period last

year, overall returns e-filed from home computers increased by nearly 17 percent.

"This is the first year of a new agreement with the Free File Alliance, and more than 70 percent of the nation's taxpayers qualify for free electronic filing," said Bert Dumars, director of Electronic Tax Administration. The agreement is between the IRS and the Free File Alliance, a consortium of tax preparation software companies that provide the service. Taxpayers must access Free File through irs.gov.

Record numbers of individuals are also choosing to have their refunds directly deposited into bank accounts. Out of 50.7 million refunds issued so far this year, 37 million have been directly deposited, which is 73.1 percent of the total, compared to 69.8 percent for the same time last year.

Taxpayers who e-file and choose direct deposit get their refunds in half the time of those who file paper returns. Even paper filers who choose direct deposit by will get their refunds a week sooner.



Refinance Deductions

Points paid for financing—or refinancing—your home mortgage may be tax deductible. Here are some things to remember when deducting points:

- Generally, for taxpayers who itemize, points paid to obtain a home mortgage may be deductible as mortgage interest
- Depending on circumstances,

points can be fully deductible in the year paid

- Points paid solely to refinance a home mortgage usually must be deducted over the life of the loan

For a refinanced mortgage, the interest deduction for points is determined by dividing the points paid by the number of payments to be made over the life of the loan. This information is usually available from lenders. Taxpayers may deduct points only for those payments made in the tax year.

However, if part of the refinanced mortgage money was used to finance improvements to the home and if the taxpayer meets certain other requirements,

the points associated with the home improvements may be fully deductible in the year the points were paid. Also, if a homeowner is refinancing a mortgage for a second time, the balance of points paid for the first refinanced mortgage may be fully deductible at pay off.

Other closing costs—such as appraisal fees and other non-interest fees—generally are not deductible. Additionally, the amount of adjusted gross income can affect the amount of deductions that can be taken.

For more information on deductions related to refinancing, visit irs.gov for Tax Topics 504 and 505. You may also review IRS Publication 936 available at irs.gov or 1-800-TAX-FORM (1-800-829-3676).