

THE *JUST TAXES!* CLIENT NEWSLETTER

PUBLISHED SEMI-ANNUALLY BY JUST TAXES!

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Dear Client:

January 2008

Oh Boy!! It's Tax Time . . .

Is it possible that you don't share our enthusiasm? Seriously, we always look forward to seeing each of you and catching up on the events of the past year. And despite rumors to the contrary we really do like to look at the photos of your children, your grandchildren, and your last vacation. But we also realize that tax time can be a stressful time for you. So call us, make an appointment, and let us do the worrying for you.

What Did You Do Last Summer?

You probably had more fun than we did. Diana attended the California Society of Enrolled Agents annual tax seminar in Las Vegas. Not to be outdone Dennis attended a seminar on "confusing tax issues" (isn't that a redundancy?). Both of us also attended other seminars on changes to federal and state tax law as well as various conferences and meetings sponsored by the IRS and Franchise Tax Board. And, of course, we also completed our continuing education requirements. These efforts not only provide us with up to date information on changes in tax law but also provide clarification on complex and conflicting areas of taxation. Needless to say, maintaining our proficiency requires an ongoing effort - even if Diana had to suffer and go to "Sin City." And, yes, what happens in Las Vegas . . .

Random Thoughts

"The difference between death and taxes is death doesn't get worse every time Congress meets."

- Will Rogers

Intoxication (n): Euphoria at getting a tax refund, which lasts until you realize it was your money to start with.

Notary Public

This past year several of our clients needed notary services and, in some cases, required in home service due to illness or incapacitation. Many of these clients reported that notary service was difficult to obtain and/or relatively expensive. To make a long story short we flipped a coin. Dennis lost. So he completed the required training and has now been commissioned by the California Secretary of State as a Notary Public. As a result, we will now provide no cost notary services for our clients for all tax related issues.

Frequently Asked Questions

Q. What is the California Use Tax?

A. California Use Tax, which has been in existence since 1935, is similar to the sales tax paid on purchases you make in California. In general, you must pay "use tax" if

you purchased an item out-of-state and the seller did not collect California sales tax and you used, gave away, stored, or consumed the item in California. Use tax can be paid to the California Board of Equalization or reported and paid with your California income tax return. The Franchise Tax Board has informed tax preparers to "help your clients avoid penalties and interest on use tax that they owe by advising them to timely report and pay their obligation." Consider yourself advised . . .

Q. Can I get a copy of my tax return on disk?

A. This year we will provide our clients an option. We can provide you with a paper copy of your return, as usual, or we can provide you with a PDF file on disk. Just let us know your preference and we will respond accordingly.

Q. I anticipate that I'm going to owe a lot of money to the IRS this year. What are my payment options if I can't pay the full amount by April 15th?

A. You essentially have three options. First, pay as much as possible with your tax return and pay the balance upon receipt of the IRS notice of tax due. In this case you will be charged interest as well as a late payment penalty. Second, you can pay by credit card. You will be required to pay a percentage of the tax due as a convenience fee and, of course, you'll also be charged interest by the credit card company. Third, you can file an Installment Agreement Request. If you have no other tax debts the IRS will generally accept an installment agreement if the unpaid liability is \$25,000 or less and the tax will be paid within five years. There is a user fee that varies from \$43 to \$105, and you will be charged interest and a late payment penalty. You can also get a loan to pay the amount of tax due. A loan may, in fact, result in lower costs than the penalties and interest that you might otherwise incur. We will, of course, review each of these options with you in detail when we prepare your tax return.

Q. Last year I had my tax refund deposited directly to my checking account. Is it possible to have my refund this year split between my checking and savings accounts?

A. Yes. IRS will electronically deposit refunds to any of your checking or savings accounts with U. S. financial institutions provided that (1) you provide accurate account and routing information, and (2) the financial institution accepts direct deposits for the type of account or accounts designated. For example, if you have a refund of \$3,000 you could have \$1,000 deposited in a checking account, \$1,000 deposited in a savings account, and \$1,000 deposited in an IRA. You cannot direct your refund into the accounts of others. However, in the case of joint refunds, you can designate deposits to joint accounts or to the accounts of either spouse.

Q. How long should I keep my tax records?

A. The correct answer is 2, 3, 4, 6, or 7 years, or indefinitely, depending on your specific circumstances (don't you just love straightforward answers?). In general, the IRS states you must keep records that support an item of income or deduction on a tax return until the period of limitations for that return run out or, in plain language, for 3 years from the due date of that return. For example, the due date of your 2007 tax return is April 15, 2008. Therefore, you should keep the records for that return until April 15, 2011. However, records relating to property must be kept until the period of limitations expires for the year in which you dispose of the property in a taxable disposition. Our recommendation is to keep your records for 4 years unless the records relate to the purchase or sale of property. In that case we recommend that you keep the record indefinitely or forever (whichever comes first . . .).

Charitable Contributions: A Clarification

In our last newsletter we stated that "Starting January 1, 2007, you can no longer deduct a cash contribution, regardless of the amount, unless you keep as a record of the contribution a bank record . . . or a written communication from the charity." For clarification, a cash contribution in excess of \$250 still requires a written receipt from the charity. In this case a cancelled check or bank statement by itself will not suffice.

More Random Thoughts

"A government that robs Peter to pay Paul can always depend on the support of Paul."

- George Bernard Shaw

"Politicians are interested in people. Not that this is always a virtue. Fleas are interested in dogs."

- P. J. O'Rourke

Registered Domestic Partners

Beginning with the 2007 tax year, California will afford the same rights and responsibilities to registered domestic partners (RDPs) that were previously available only to married individuals. For California tax purposes, the same rules applicable to married individuals now apply to RDPs. However, because the federal government does not recognize domestic partners as married for federal tax purposes, RDPs will continue to file as unmarried individuals on their federal returns. Due to the obvious complexities inherent in this change we suggest that both partners use the same tax preparer, and that you make your appointment as early in the tax year as possible.

Client Organizers

As we mentioned in our previous newsletter, several of our clients have told us that they would like to have a client organizer to assist them in preparing for their appointment. In general, the organizers are helpful for those who have complex financial issues. Please call us if you would like an organizer, and we'll mail one to you.

Pearls of Wisdom

"Outside of the killings, Washington has one of the lowest crime rates in the country."

-- Ex-Mayor Marion Berry, Washington, D. C.

"It is wonderful to be here in the great state of Chicago."

-- Ex-Vice President Dan Quayle

A Preview of Coming Attractions

In our next newsletter we will review the potential ramifications of the 2008 national election for the individual tax payer. Our analysis will be based on the candidates' platforms or position papers, and will concentrate on those items of taxation that will directly affect our clients. In short, we won't bore you with details of corporate tax policy or off shore accounting practices. But, even more to the point, we will do something that neither of the candidates will do. We'll tell you if you're rich or poor based on statistical data published by the Internal Revenue Service.

Referrals

The "life blood" of our business is referrals by satisfied customers. If you're pleased with our service please consider giving a friend the enclosed Referral Certificate. We'll send you a crisp \$20 bill for every new client that you refer.

Herman Christian Muller

Herm Muller, Diana's husband of 35 years, passed away on July 15th. Herm was a caring and loving husband, a dedicated and supportive father, and a considerate and loyal friend. He will be missed by all who were privileged to know him.

Remember to call for an appointment. Drop off and in home service is also available.

Yours very truly,

Dennis T. Graff
Senior Partner

Diana L. Muller
Senior Partner
Enrolled Agent

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