



Tax, Accounting & Financial Services, Inc.

Planning for a secure financial future

Top 10 Reasons You Need an EA



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10. Unlike CPAs and attorneys, who may or may not choose to specialize in taxes, **ALL** Enrolled Agents specialize in **taxation**.
 9. Enrolled Agents are subjected to a rigorous background check conducted by the IRS.
 8. Enrolled Agents are bound by Circular 230, which gives them limited client privilege in situations where the taxpayer is being represented in cases involving audits and collections matters.
 7. Enrolled Agents are required to complete 72 hours of continuing education to keep them abreast of any and all tax law changes.
 6. Enrolled Agents take a difficult two-day examination administered by the IRS, which covers taxation of individuals, corporations, partnerships, estates and trust, procedures and ethics.
 5. Only Enrolled Agents are required to demonstrate to the IRS their competence in matters of taxation *before* they represent a taxpayer.
 4. Enrolled Agents are authorized to appear in place of the taxpayer at the Internal Revenue Service.
 3. Enrolled Agents are the only tax professionals who receive their right to practice from the United States Government.
 2. Enrolled Agents are licensed by the federal government.
- And the number one reason you should choose an EA:*
1. The profession has been regulated by Congress since 1884!

FREE Electronic Filing When We Prepare Your Return

C&D is again offering **FREE ELECTRONIC FILING** when we prepare your return.

Electronic Filing speeds your refund. Refunds are usually received within 14-21 days of the filing of your return. You

will receive your refund even faster if you elect to have it **Directly Deposited** into your bank account. Payments may be made to the IRS electronically, as well.

Electronic Filing also prevents

IRS keypunch errors when they get your information entered into their computers.

At C&D, we will Electronically File your Income Tax Returns automatically!!



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Contact our office for an "E-Organizer"

Available again this year for previous clients from C&D Tax!! Call today, and we will e-mail you an E-Organizer to gather your tax information.

Information about your tax return can be entered directly into the E-Organizer and e-mailed back to our office.

Information about your previous tax return is already entered, and gives you a "check-list" of what was used on last year's tax return.

Using E-Organizer saves

time!! It allows you to gather the information about your 2003 income tax return in the privacy and comfort of your own home. We will contact you about any items that are missing in your E-Organizer. We will still need the paper documents, such as W-2's, 1099's, etc. These can be dropped off at the front desk of our office.

If you still would like an appointment, just e-mail the E-Organizer to our office and request an appointment. We

will already have the basic information, and can then spend your appointment discussing questions or other tax or investment issues.

If you are not a previous client or do not wish to use the new E-Organizer, we will be happy to send you a paper organizer. Contact our office today!!

If you would like an E-Organizer, e-mail cheryl@cdtax.com with your e-mail address and the E-Organizer will be sent to you immediately.



Coming this Year: CD Copies of Tax Returns

Technology changes, and we at C&D Tax, Accounting & Financial Services are changing with it. Beginning with the 2003 tax season, we began to convert to a **paperless office**.

What is a paperless office? In our situation, we are now **scanning** all of your supporting documentation into our **E-Filing Cabinet**, in Adobe PDF format. We are also scanning all signed 8453's (the form you sign to authorize us to electronically file your return). Our copy of your tax return is saved as a PDF file, instead of being printed.

This information is being stored on a computer with mirrored hard drives, and a tape backup is performed each day. We have gone to incredible lengths to ensure that your information is saved and SAFE!

Effective immediately, we will be providing both a paper copy of your return and supporting documentation

AND a CD copy of this information. This will continue through the 2004 tax season.

After the 2004 tax season, we will offer you the option of either "**paper or plastic**". You can continue to receive the traditional paper return that we have always provided our clients, or you can receive your tax return and documentation on a CD. If you choose to receive both types of storage after the 2004 tax season, there will be an extra charge.

The CD option is also available to those who wish to get their **prior years' tax returns** scanned. We are offering our services to **properly scan and organize your prior year tax returns** by year on a CD for easier storage and access. This will solve the problem posed by the question "**how long do I have to keep my tax returns**". One CD will hold many years of your tax returns in one safe, convenient location. Each year,

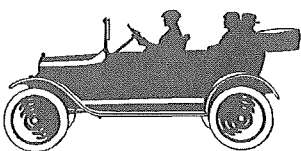
when you return to get your return prepared, bring your CD. We will add the new year's tax return to your already existing library of returns for your convenience.

By scanning your prior years' tax returns, **you can clean out that file drawer or box (es)**. You will no longer have to be concerned about how long you have to keep the tax information. Ten years worth of returns will take up no more space in your home than one year's return on a CD.

Call our office today to arrange to have your prior years' tax returns scanned. Cost will be determined by the quantity of material to be scanned. The average charge will be between \$50 and \$100.

We will be unable to offer the **Prior Year Scanning service during tax season**. Appointments are limited and are being taken quickly for this new service. Call today!

"...just e-mail the E-Organizer to our office and request an appointment. We will already have the basic information, and can spend your appointment discussing questions or other tax or investment issues."



Checklist for Tax Interview

It's never too early to begin gathering, sorting, and organizing your paperwork in anticipation of filing your 2003 income tax returns. Provided is a checklist to help you collect the information necessary to prepare your 2003 income tax returns.

- W-2 forms from each employer you had during 2003
- Interest and dividend income 1099 Forms (1099-INT and 1099-DIV)
- 1099-R forms for pension and retirement income
- 1099 from Social Security (if you are receiving benefits)
- 1099 from state unemployment fund (for benefits paid to you)
- 1099-MISC for compensation paid as an independent contractor, executor, trustee, for commissions, or jury duty
- 1099-B for the sale of securities
- 1099-S for the sale of real estate
- 1099 for state tax refunds, gambling winnings, or lottery proceeds
- Your personal records regarding rental income and expenses
- Alimony paid or received, including social security number of recipient
- Records of the purchase and sale of a personal residence, including the forms given at the time of closing. Cost records for improvements made during ownership are still valuable.
- Summary of medical and dental expenses paid in 2003. The amount of reimbursements from insurance is also needed
- Real estate taxes paid in 2003
- Form 1098 for mortgage and home equity loan interest
- Schedule of estimated taxes paid for federal and state taxes
- Summary of charitable donations, including cash, checks, and items given in kind. When property donated exceeds \$500, an itemized list is necessary
- Job-related expenses for educational purposes, job hunting and out-of-pocket expenses related to your employment (union dues, special work clothing, tools or supplies)
- Log book for business use of automobile
- Receipts for travel, lodging, and meals while on business
- Child-care expenses and provider information. The tax identification number for the provider is

required

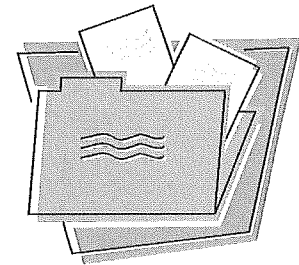
- Information on IRA contributions made or to be made for 2003
- Information on educational expenses for tax credits
- New dependents will need a social security number. Be sure you have applied for the number for all children born in 2003
- Schedules K-1 from partnerships, S corporations, trusts, and estates for which you received a distribution in 2003. **Hint:** These forms are not required to be in your hands by January 31, 2004, so be on the watch for them to come later than other tax forms
- Summary of moving expenses (if eligible)
- Records regarding vehicles purchased or leased during the year for which you are claiming business expenses
- Summary of casualty loss (fire, theft, natural disaster)

If you can answer yes to the following questions, you should bring the appropriate information with you:

- Did you pay interest on higher education (school) loans?
- Were there any births, adoptions, divorces,

(Continued on page 4)

"If your W-2 form doesn't arrive by the first week in February, call the employer to inquire as to the status of the form."



Call 480-354-1040 today for a TAX ORGANIZER!! This will assist you in gathering up your information for your tax appointment.

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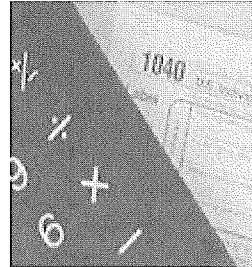


(Continued from page 3)
marriages or deaths in your household in 2003?

- Did you convert a traditional IRA to a Roth IRA?
- Did you receive tips?
- Did you receive a notice from the IRS (or state or local tax agency where applicable) on your 2002 tax return?
- Did you receive any bartering income?
- Did you receive installment payments on property sales in 2003?
- Did your children (those under 14 years of age)

receive interest and dividend income in 2003?

- Did you support anyone other than your own children?
- Did you make gifts to any one individual (other



than your spouse) that exceeded \$11,000 in 2003?

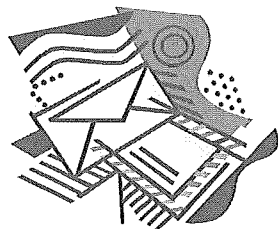
- Do you have a foreign

bank account?

- Did you refinance your mortgage in 2003?
- Did you pay points to purchase a home or refinance your mortgage in 2003?
- Did you receive non-taxable sick pay?
- Did you have household employees in 2003?
- If you didn't receive a W-2 form from a previous employer, do you have the final pay stub from that employer?
- Did you receive proceeds from a lawsuit or class action?

What's AGE got to do with Tax Planning?

If you can answer yes to any of the questions on this page, please bring the appropriate documentation with you to your interview.



Many tax provisions are linked to age, so whenever there is a birthday in your family, check for changes that your tax planning should take into account.

Changes in dependency exemptions, various credits and taxability of social security earnings are just a few of the issues that might concern you. Some of the major tax milestones are:

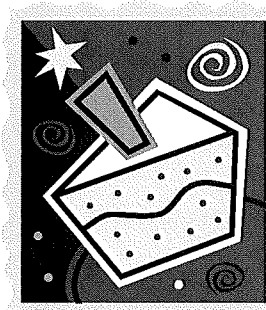
13 Beginning at this age, your child no longer qualifies for the child care credit.

14 Upon reaching this age, none of your child's investment income will be taxed at your marginal rate.

17 From this age on, your son or daughter no longer qualifies for the child tax credit (which is different

from the child care credit, above).

18 When your child reaches this age, his or her Education IRA is not permitted to accept new contributions.



19 Is your child a full-time student? Unless you answer yes, you could lose the dependency deduction once your child reaches this age.

24 Full-time student or not, the dependency de-

duction becomes tougher to claim beyond this age.

30 By this age, any amount remaining in your child's Education IRA must be distributed or rolled over to an Education IRA for another qualifying family member.

59½ You may start withdrawing money from your IRA, 401(k), and other retirement plans without penalty.

65 Beginning at this age, you generally qualify for a higher standard deduction.

70½ You must start withdrawing at least the minimum amount from your IRA each year, or you will face a stiff IRS penalty. (This requirement does not apply to Roth IRAs.)



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Jobs & Growth Tax Relief Reconciliation Act of 2003

Child Tax Credit. For 2003 and 2004, the child tax credit increases from \$600 to \$1,000. The \$400 increase will be paid in advance starting in July for those who have filed a 2002 tax return. The advance will be calculated from information on the taxpayer's 2002 tax return. The amount of the 2003 child tax credit that taxpayers can claim in 2003 will be reduced by the advance payment.

In 2005, the child tax credit is scheduled to fall back to \$700, but will gradually rise to \$1,000 by 2010, under the Economic Growth and Tax Relief Reconciliation Act of 2001.

Marriage Penalty Relief. For 2003 and 2004, the standard deduction for married couples will increase to twice the amount of the standard deduction for single taxpayers. For 2003, the standard deduction for single taxpayers remains at \$4,750; for married taxpayers this will rise from \$7,950 to \$9,500.

For 2003 and 2004, the 15% tax bracket will be twice that for joint filers as it is for single-filers. After 2004, the 15% tax bracket for joint filers falls to 180% of the maximum taxable income in the same bracket for single individuals, as adjusted for inflation.

Tax Brackets. Income levels for the 10% tax bracket are increased to \$7,000 for single taxpayers and to \$14,000 for joint filers for 2003. In 2004, these income levels will be indexed for inflation. This relief is temporary. The old thresholds of \$6,000 and \$12,000 will reappear in 2005.

New tax rates, retroactive to January 1, 2003 are 10%,

15%, 25%, 28%, 33% and 35%.

Capital Gains Rates. The maximum capital gain tax rate drops from 20% to 15%. The current 10% rate for lower income taxpayers drops to 5%.

These new rates are effective for sales and exchanges taking place on or after May 6, 2003, and through December 31, 2007.

In 2008, the 15% rate continues and the 5% rate for lower income taxpayers drops to 0%, but only for 2008. On January 1, 2009, the 10% and 20% rates are reinstated.



The lower rates for property held five years or more is effectively repealed until 2009. These rates were 18% (8% for low income taxpayers). The 8% rate is repealed effective May 6, 2003. Those taxpayers who would have qualified for the 18% rate for sales in 2005-2008 receive no additional benefit other than the lower 15% rate.

Section 179 Expensing. For 2003, taxpayers can expense up to \$100,000 in qualifying property. The phase-out threshold increases from \$200,000 to \$400,000. For 2004 and 2005, this amount will be indexed for inflation.

The new law allows taxpayers to make or revoke a Section 179 expense election without first obtaining the consent of the IRS.

For 2003-2005, taxpayers can expense off-the-shelf computer software under Section 179.

Bonus Depreciation. The additional 30% bonus depreciation increases to 50% for qualifying property placed in service after May 5, 2003 and before January 1, 2005. The definition of qualifying property has not changed. Qualifying property must still be brand new property with a class life of 20 years or less. The new

law increases the bonus depreciation amount that may be taken with respect to passenger automobiles from \$4,600 to \$7,650.

The 30% bonus depreciation continues to apply to property purchased between September 11, 2001 and May 6, 2003.

Taxation of Dividends. Dividends received by an individual shareholder from a domestic or qualified foreign corporation will be taxed in the same manner as capital gain income. This translates to 15% for most taxpayers and 5% for taxpayers at lower income levels.

Although this provision is retroactive to January 1, 2003, it is temporary, terminating on December 31, 2008. The 5% rate terminates on December 31, 2007 and falls to 0% for 2008. This one-year break only applies to taxpayers in the 10% and 15% tax bracket.

ets.

Certain types of dividends are specifically excluded from the definition of "qualified dividend income" for purposes of the new law. The exclusion applies to:

- Dividends paid from a corporation exempt from tax under IRC Section 501 and 521 (charitable organizations).
- Dividends paid on deposits in a mutual savings bank, credit union, savings and loan, etc.
- Any dividend described in IRS Section 404(k).
- Dividends paid under IRC Section 246© that fail to meet the revised holding period.
- The extent that the taxpayer is under a payment obligation under IRS Section 246©.

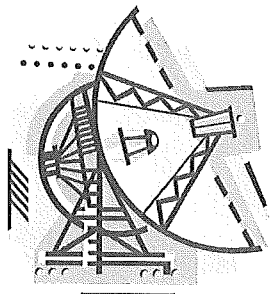
The new tax law also provides additional guidance with regard to dividend income. Dividends are to be treated as investment income (if the taxpayer elects) for purposes of using the investment interest deduction. This appears to mean that taxpayers will not be allowed both the benefit of the lower tax rates and the treatment of this dividend income as net investment income for purposes of deducting investment interest.

A "qualified foreign corporation" is an entity incorporated within a US possession or is eligible for the benefits of a US tax treaty. Dividends paid by a foreign corporation that are not qualified are eligible for the lower rates if the stock is traded on an established US equities market.

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