Ideas&Trends

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IT'S TAX TIME

By Michael J. Garibaldi, CPA/ABV

Thinking about income taxes is never fun, but it's also something you can't afford to put off.

That's especially true at this time of year, when the filing deadline draws near. Fortunately, recent legislation has reduced rates and created many other opportunities to save tax — provided you plan carefully and act promptly. In fact, as recently as January 6, Congress unanimously passed legislation to allow a deduction on *2004 tax returns* for qualified tsunami-related charitable contributions *made in January 2005.* This is a wonderful opportunity to help provide much-needed relief to tsunami victims in South Asia without having to wait a year to enjoy the tax deduction. (Normally you can deduct only charitable contributions made during the tax year.)

As you think about preparing your return, you might especially want to consider steps like these that you could still take to minimize your 2004 taxes:

- Contribute the full amount allowed to your IRA, Keogh plan or SEP plan.
- Make sure you take all deductions, exemptions and credits you can.
- If married, see if you would be better off filing jointly or separately.

You might also want to determine if you will have to pay the AMT. As regular tax rates fall, more and more taxpayers are becoming subject to the AMT, and you don't want to be surprised by it. Calculating the AMT can be complicated, so you will find it helpful to consult a tax professional about it. Also, while many dividends will now be taxed at the much lower capital gains rate, not all dividends will qualify. Be sure to find out from your advisor how your dividends will be affected before you assume you'll pay less tax on them.

Our ***2004-2005 Tax Planning Guide*** that we sent last fall describes a number of steps you can take now and throughout 2005 to lighten your tax burden. Please look it over and let us know if we can answer any questions about the tax saving techniques it discusses. If you haven't received your free copy, please let us know, and we'll send one out to you. We specialize in tax advisory and filing services, and would be happy to help you develop an individualized plan that achieves your short- and long-term goals. Aren't you glad you made Israeloff, Trattner & Co. part of your team?

WHAT IS CHECK 21?

By Lisa B. Waterman

Check 21 is a new federal law that authorizes changes to the way banks process paper checks. Check 21 allows banks to process and deliver checks electronically, and to print special copies or electronic reproductions of checks instead of transporting or holding onto original paper checks. All checks including personal checks, business checks, payroll checks and cashiers checks are subject to Check 21.

The substitute check is the legal equivalent of the original check and should contain an image of the front and back or the original check, your account number, bank routing number and the statement "This is a legal copy of your check. You can use it the same way you would use the original check". Only a substitute check issued by the bank is legally equivalent to the original check to prove payment

What You Need To Know About Check 21

With Check 21, your checks may be processed more quickly. Delays known as "float time" could be reduced, so that a check you write could clear in hours instead of days. This increases the possibility of bounced checks and incurring significant fees. Due to faster processing, it may be more difficult to stop a check that has been written from being paid. Transferring a check back and forth between paper and electronic format increases the risk of error, or that an amount can be changed, so be sure to keep and check your records carefully. This is also important because forged or altered checks will be more difficult to prove. Banks are not currently required to keep your original check for any specific length of time, and Check 21 does not add any new retention requirements. In many cases, the original check may be destroyed. If you request your original check from your bank, your bank may provide you with the original check, a substitute check, or a copy of the check. Check with your local bank to determine their policies.

If you have any questions on Check 21, please do not hesitate to contact your Israeloff, Trattner professional.

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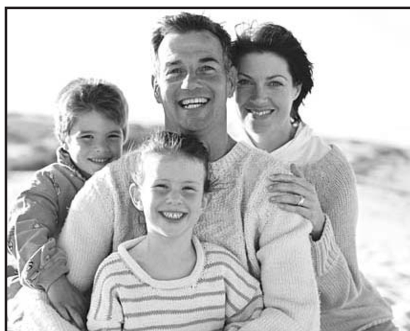
WORKING FAMILIES TAX RELIEF ACT OF 2004 — A SUMMARY

By Robert Spilky, CPA

In an effort to salvage certain individual and business tax breaks that expired or are about to expire, Congress passed the Working Families Tax Relief Act of 2004 (WFTRA). The new law contains some $146 billion in tax reductions and ensures that some popular middle-class tax breaks will continue through 2010.

The new law also provides for a number of extended tax breaks for business, as well as some tax "simplifications." We've summarized here some of the more important changes and how they might affect you.

Child Tax Credit



The child tax credit allowed for each qualifying child under age 17 is $1,000 for 2004. However, the credit was supposed to decline to $700 for 2005-2008, and then increase to $800 for 2009 and $1,000 for 2010. Due to a "sunset provision" in prior law, the credit is scheduled to revert to $500 for 2011 and beyond. (This sunset rule affects many of the other provisions we are discussing.) The credit is reduced when income exceeds certain levels (e.g., $110,000 for joint filers, $75,000 for unmarried filers). For low-income taxpayers, the child tax credit is refundable, within limits.

WFTRA increases the child tax credit to $1,000 for the years 2005 through 2009. Therefore, the credit remains at $1,000 through 2010. Absent a further law change, the credit will revert to $500 in 2011. The new law also liberalizes the provision by allowing the child tax credit to be refunded in 2004.

The new law is welcome news for those taxpayers who will qualify for the child tax credit in 2005 through 2009.

Marriage Penalty Relief

The marriage penalty is a quirk in the tax law that often has two single people paying less tax than married-joint filers earning the same incomes.

Efforts to eliminate the marriage penalty in 2001 and 2003 required the basic standard deduction (used by those who do not itemize deductions on their tax returns) for a joint-filer couple to be 200% of that of a single filer. However, due to budgetary constraints, the 2003 law called for dropping that percentage to 174% for 2005, with the percentage gradually rising until it once again reaches 200% for 2009 and 2010.

For tax years 2005 through 2008, WFTRA increases the standard deduction amount for joint filers to 200% of the single-filer standard deduction. Thus, the joint-filer standard deduction will remain 200% of the single-filer deduction through 2010.

As additional marriage penalty relief, the 2003 law established the end point of the 15% tax bracket for married-joint filers for 2004 to be 200% of the end point of the 15% bracket for a single return. However, for 2005, the joint-filer end point percentage was scheduled to drop to 180%, gradually rising in 2006 and later until it once again reaches 200% for 2008 through 2010.

For years 2005 through 2007, WFTRA provides that the end point of the joint-filer 15% bracket will be 200% of the single-filer end point. So, for 2005 through 2010, the 15% end point for joint filers will be 200% of that for a single filer.

10% Tax Bracket

After 2004, prior tax law required that the 10% tax bracket amounts be contracted, so that individuals would pay less tax at a 10% rate, and more tax at the 15% or higher tax rates. The reduction would have applied for 2005 through 2007.

The new law repeals the scheduled contraction in the 10% bracket amounts for 2005 through 2007. For 2005, the 10% bracket will apply to the first $7,300 of taxable income (for single filers and married couples filing separately), $14,600 (for joint filers), and $10,450 (for heads of household), to be adjusted for inflation for 2006 through 2010. Almost all taxpayers will gain some benefit from the higher 10% bracket amount.

AMT Exemption

The alternative minimum tax (AMT) is intended to prevent taxpayers with large deductions and credits from totally avoiding income taxes. In computing the AMT, individuals are entitled to an exemption amount (which phases out at higher income levels).

The exemption amount in 2004 is $58,000 for joint filers, $40,250 for unmarried filers, and $29,000 for married persons filing separate returns. After 2004, the AMT exemption was scheduled to decrease to $45,000 for joint filers, $33,750 for unmarried filers, and $22,500 for married-separate filers.

WFTRA repeals the scheduled 2005 reductions and maintains the 2004 exemptions for 2005. The reductions will go into effect after 2005.

Research Credit

The tax law provides a research credit for part of the qualified research expenses paid by a business. The credit did not apply to research expenses paid or incurred after June 30, 2004.

The new law resurrects the research credit for amounts paid or incurred after June 30, 2004, and before 2006.

Work Opportunity Tax Credit and Welfare to Work Credit

These credits are incentives given to employers to hire disadvantaged workers in certain targeted groups and those who are long-term family assistance recipients. Both credits expired with respect to individuals who began work after 2003.

Under WFTRA, both credits are extended to wages paid to qualifying individuals beginning work after 2003 and before 2006.

Other Credits

Other tax credits affected by the new law include:

Credit for Qualified Electric Vehicles. The scheduled phasing down of this credit for vehicles placed in service in 2004 and 2005 is repealed.

Credit for Producing Electricity from Renewable Resources. This credit, repealed for facilities placed in service after 2003, is extended to facilities placed in service after 2003 and before 2006.

Other Business Provisions

The new law also addresses these business tax provisions:

Elective Expensing of Qualified Environmental Remediation Costs. For qualifying remediation expenses paid or incurred through 2003, a taxpayer could elect to deduct the expenses, rather than capitalize them. WFTRA extends the election to expenses paid or incurred after 2003 and before 2006.

Enhanced Deduction for Qualified Computer Donations. The enhanced deduction allowed to regular C corporations for donating qualifying computer technology and equipment to an educational institution or public library, which ended after 2003, is extended for contributions made in tax years beginning after 2003 and before 2006.

Teachers' Expense Deduction

Before 2004, eligible K-12 teachers could claim a tax deduction for up to $250 of expenses for books, supplies, computer equipment, etc., they bought and used in the classroom. The deduction could be taken even if the teacher did not itemize deductions on her/his tax return. The new law extends the deduction for tax years beginning during 2004 or 2005.

We Can Help

For many individual and business taxpayers, the changes made by WFTRA will mean additional dollars in their pockets over the next few years. Of course, this summary only touches the surface of the new law's provisions, so before acting on any of these changes, you should talk to us. We'd be happy to explain what the changes mean to you or your business. Please let us know if we can be of assistance.

THE DIRTY DOZEN — IRS WARNS OF COMMON TAX SCAMS

By Arthur Sanders, CPA

In the latest installment of its annual consumer alert on tax scams and other schemes, the IRS warns taxpayers to avoid promoters who promise to eliminate or significantly cut their tax liabilities. In particular, the IRS urged taxpayers to avoid 12 common schemes — the so-called "Dirty Dozen."

1. ***Misuse of trusts.*** In this scheme, promoters encourage taxpayers to transfer their assets to one or more trusts. They promise a range of tax benefits, including reduction of taxable income and deductions for personal expenses paid by the trust. The IRS warns that such abusive trust arrangements won't produce the advertised benefits.
2. ***"Claim of right."*** In an emerging scheme, promoters advise taxpayers to file tax returns claiming a deduction equal to the entire amount of their wages, instructing them to identify the deduction as "a necessary expense for the production of income" or "compensation for personal services actually rendered." The IRS says the deduction has no basis in law.
3. ***Corporation sole.*** The concept of corporation sole was created to allow religious leaders, such as bishops, to incorporate as individuals to avoid legal liability related to ownership and control of church assets. The individual becomes exempt from federal income taxes as a nonprofit religious organization. But, contrary to promoters' assertions, corporation sole laws don't provide a legal way for others to evade federal income taxes, child support or other personal debts.
4. ***Offshore transactions.*** The IRS reminds taxpayers that using an offshore bank account, brokerage account, credit card, wire transfer, trust, offshore employee leasing arrangement or other means to hide or underreport income or claim false deductions is illegal.
5. ***Employment tax evasion.*** There's been an increase in schemes that direct employers not to withhold federal income tax or other employment taxes from wages paid to employees. These schemes have been rejected by the courts and the employers have been found liable for back payments. Plus, the employees remain responsible for paying their personal taxes.
6. ***Tax preparer fraud.*** Unscrupulous tax return preparers divert part of their clients' refunds for their own benefit. They may also charge inflated fees and falsely guarantee larger refunds. Unfortunately, taxpayers assume ultimate responsibility for all information included on their returns, even if they're prepared by a "professional."
7. ***ADA credits.*** Promoters encourage taxpayers to buy

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IT'S MY MONEY AND I'LL WITHDRAW IT IF I WANT TO!

By Sam Deutscher, CPA

Before we begin this article, we need to start with a warning. Never, ever (and we mean never), try to withdraw from your retirement if you are under 59 ½ years old. Between the taxes on the money you receive and the 10% penalty imposed, it is likely that you will be turning over to Uncle Sam a much heftier portion of those monies than you had intended.

In the vast majority of cases, premature distributions of retirement funds will cost you. There is, however, a way to withdraw those funds penalty-free (not tax-free) — if you follow the rules.

What gives you this power? Internal Revenue Code (IRC) Section 72(t) gives you the ability to withdraw funds from your IRA or other qualified plans without penalty under certain circumstances.

Withdrawal on Account of Death

This particular assumption leaves you out in the cold with respect to your benefiting from your retirement plans, so suffice it to say that your heirs may pay estate tax and will pay income tax on withdrawals from your IRA, but they needn't worry about an added 10% penalty.

Withdrawal on Account of Disability

Funds distributed from your plan because you become disabled will not be assessed a 10% penalty. To meet the exception, you must meet the following requirements.

- You must be unable to engage in any substantial gainful activity because of a medically determinable physical or mental illness,
- Your disability must be expected to result in death or to be of a long-continued and indefinite duration.
- You have to prove you are disabled to the IRS.

Withdrawal That is Part of a Series of Equal Periodic Payments

The IRC allows you to withdraw from your qualified retirement account an amount that would result in you receiving substantially equal payments over your lifetime. For purposes of computing these payments, you would use the life expectancy tables published by the IRS.

Obviously, if you are in need of a substantial amount of cash, this option won't work for you. If, on the other hand, you need only a small amount to meet your needs, a plan based on this exception may be for you.

Suppose you start the withdrawals and later modify the distribution method. Can you back out of the deal? Generally, not without incurring a penalty. However, there is an exception to this general rule. If you are over 59 ½ when you modify the distribution plan, you won't have to pay the penalty if you made the payments for at least the five-year period beginning with the date of the first payment. If you do not meet this exception, you will pay the 10% penalty plus interest on all of the withdrawals prior to age 59-1/2.

Withdrawal After Age 55 and After Termination From Your Job

Is there really a silver lining to every cloud? Well, we don't know about that, but there is some good news if you received a lump-sum payment from your former employer's qualified plan after being laid off. If your employment is terminated when you are age 55 or older, distributions from a qualified plan (not IRA's) are not assessed the 10% penalty.

Withdrawal to Pay Deductible Medical Expenses

This little exception has one very big trap hidden in it. When Congress says you can exclude from the penalty any distributions made to pay deductible medical expenses, they mean it. The trap is that only withdrawals from a qualified plan or IRA made to cover those medical expenses in excess of 7½ percent of your adjusted gross income can be excluded from the penalty calculation. Be careful if you choose to use this exception.

Withdrawals Paid to an Alternate Payee

In divorce situations, a Qualified Domestic Relations Order (QDRO) may be filed. Basically, this allows a former spouse to receive some portion of a participant's retirement account balance. The participant will not be assessed a 10% penalty in this situation. QDRO rules apply only to qualified plans, but not IRAs, which have rules permitting the tax-free transfer of some or all of an IRA to a spouse in the event of a divorce or separation.

Withdrawals to Pay Higher Education Expenses

This exception applies only to IRAs. You can withdraw money from your IRA to pay qualified higher education expenses for you, your spouse, your child or your grandchild. Generally, these include tuition, fees, books, supplies and

WHAT YOU NEED TO KNOW ABOUT THE AMERICAN JOBS CREATION ACT OF 2004

By Sam Deutscher, CPA

Signed into law in October 2004, the American Jobs Creation Act of 2004 provides tax relief to manufacturers, small businesses and S corporations, among others. But it also contains many provisions that will increase the tax liabilities of both businesses and individuals.

Originally slated to be a simple repeal of the foreign sales corporation/extraterritorial income (FSC/ETI) tax regime, the act does indeed phase out FSC/ETI benefits by 2007. But it ended up as a 650-page behemoth, whose myriad provisions are scheduled to go into effect at various times. While analysts are still determining exactly what impact they will have, here's a brief look at the provisions most likely to affect you.

BUSINESSES

- **New manufacturing deduction created.** The somewhat complicated deduction for "qualified production activities income" will apply to both C corporations and flow-through business entities. When fully phased in by 2010, the maximum possible 9% deduction will effectively reduce the top income tax rate for manufacturing businesses from 35% to roughly 32%. The phase-in will begin in 2005, with a 3% deduction that will yield approximately a 1% tax savings. At the same time, the FSC/ETI provisions will be phased out during 2005 and 2006. "Manufacturer" is defined broadly to include such companies as construction, architectural and engineering, oil and gas, and film and music.
- **$100,000 Section 179 expensing deduction extended through 2007.** This amount also will continue to be indexed for inflation, as will the $400,000 asset acquisition limit for qualifying for the maximum deduction. The 2004 amounts are $102,000 and $410,000, respectively.
- **SUV deduction reduced.** The maximum expense deduction for SUVs weighing between 6,000 and 14,000 pounds is reduced to $25,000, effective October 23, 2004. SUVs weighing more than 6,000 pounds, placed in service before then, can qualify for the full Section 179 maximum.
- **S corporation rules reformed.** Important changes include expanding the maximum number of shareholders to 100 (from 75), and allowing family members to be considered as one shareholder, effective for tax years beginning after December 31, 2004.
- **Nonqualified deferred compensation plan rules tightened.** The changes affect deferral elections, distribution restrictions, accelerated payment restrictions and taxability of certain transfers of property. They apply to deferrals made after December 31, 2004. Many plans may need to amend their agreements and change how they operate.

- **New state sales tax deduction created.** For 2004 and 2005, individuals can choose to deduct state and local sales taxes paid instead of state and local income taxes. This may be particularly beneficial for residents of states that do not levy income taxes. Other taxpayers can also benefit if their sales tax liability exceeds their state and local income tax liability. In states with income tax rates that are relatively low, the benefit may occur if a taxpayer makes a large purchase, such as an automobile.
- **Certain charitable deductions limited.** If a charity sells a donated vehicle, boat, or airplane, the donor can deduct only the amount of the actual sale proceeds. If the charity keeps and uses the vehicle, boat, or airplane, the donor can deduct only the amount the charity acknowledges as its value, with steep penalties imposed for misrepresenting the value. This provision goes into effect for donations made after December 31, 2004. The deduction for donations of intellectual property (including patents and most copyrights) also will be limited, beginning with contributions made after June 3, 2004.

MY MONEY *continued*

equipment needed to enroll in or attend a post-secondary educational institution. If the student is enrolled at least half-time, room and board charges are also considered qualified expenditures. Limitations may apply if the student lives off campus and not at home.

Withdrawal For Use by First-time Homebuyers

If you have not owned a home in the last two years, you can withdraw up to $10,000 penalty-free to help pay for the home. This exception only applies to IRAs.

Conclusion

There are several other exceptions to the 10% penalty on withdrawals from a qualified retirement plan or IRA, but we have discussed the more common types. The burden of proof is on the taxpayer claiming the exemption, so be certain you meet the requirements to avoid the penalty. However, we can not emphasize enough that you should be sure you have no other sources of cash before withdrawing funds from an IRA or qualified retirement plan, because any withdrawal will likely be taxable. Remember, if you have questions or need help, we are just a phone call away.

SAVE YOUR MONEY FROM INTERNET SCAMS

By Richard A. Mills, CPA

If you use a computer, and have an email box, it's a fair bet that you have encountered that high tech scourge known affectionately as "spam." On a daily basis, most of us are bombarded with a ton of spam, ranging from "hot" stock tips and the "opportunity of a lifetime" to make a bundle working part-time at home. If you have followed up on one of these or the host of other scams that grace your inbox, don't feel bad. You're in good company. Every day, sincere unsuspecting Americans lose money on internet scams and whether you are trying to raise a family, build a business, save money for retirement or simply save for a vacation, you can't afford to waste money on the high tech equivalent of highway bandits.

So, what are the more common scams and how do you spot them? More to the point, how do you protect yourself from becoming a victim? Let's do a little investigating.

First, let's look at some of the more common scams and since there is one particularly egregious fraud going around today, let's start with charity scams. Some of the more recent offenders purport to raise funds for victims of the tsunami in the Indian Ocean which is particularly egregious considering the devastation of both life and property. The scams take a number of forms, but the most common are phishing schemes where the swindler asks for donations but are really looking to collect personal and financial information that can later be used for credit card fraud and identity theft.

Another type of scam appeals to the "get something for nothing" syndrome common in much of today's society. The Nigerian fee scam, though it has received a significant amount of press, still plagues honest citizen's inboxes. This is the scheme where you receive an unsolicited e-mail that purports to give you a large "fee" for allowing the con artist to use your bank account to transfer funds out of a particular country. Though it is called the Nigerian fee scam, this particular fraud is being used in connection with the tsunami and is not limited purely to Nigeria. The whole idea behind this scam is to get personal information, including your bank account information, to steal your money directly from your bank account.

Internet auctions are an effective way of appealing to the thrifty among us. Let's face it, most of us like a good bargain and what better than an Internet auction to drive the prices down on "name brand" products? The scams can be perpetrated through legitimate businesses like E-bay, or "new auction" sites. In a worst-case scenario, you stand to lose all of your money when you send it to the "seller" of the auctioned item. In a best-case scenario, you may receive a product, but of lesser value than the product you supposedly purchased.

Of course, there are still the standard credit card frauds. These can come in the form of unsolicited advertisements for products, unsolicited offers of low interest credit cards if you apply over the internet and, of course the good old-fashioned theft of your credit card information followed by using such information to purchase items over the Internet illegally.

In addition to the preceding scams, there are numerous other scams and variants on tried and true swindles. So how do you protect your-self against unscrupulous con artists? In some ways, the answers are easy, but for every easy answer, someone has figured a way to beat your fix, or you must at least act that way in order to protect yourself.

Probably the single most effective way to beat scams presented to you through spam is to simply delete any e-mail from an unknown source. While this may cause you to delete the occasional legitimate e-mail, it is far better than having to fight with credit card companies, credit bureaus and others who may also be victims of a scam that victimized you. Most of the time, you can tell by the subject line of an e-mail that it is legitimate if you do not immediately recognize the return address, but this is not always true and you must therefore be judicious in the e-mail you open. And remember, legitimate companies such as your bank will never, ever email you asking you to provide personal information over the internet.

If you receive a request via e-mail or telephone to aid the tsunami victims, do not reply to the e-mail or give any information to the person on the other end of the line. Instead, if you are inclined to help, take down any pertinent information then investigate the claims of the group asking for contributions. There is plenty of information on line to help you decide whether a group is legitimate, but don't rely simply on a supposed website if you have never dealt with a particular group. You can check most organizations out through the Better Business Bureau and you can go to the IRS website to search whether the group is recognized as a legitimate charitable group. After that, you can ask the group for its Form 990 before giving money.

If you receive a request from anyone to assist in moving money by using your bank accounts, don't! Too many people have been caught up in these schemes and lost tons because the request sounded legitimate, but was totally bogus.

While there are a number of helpful sites to help you ascertain the legitimacy of an email, there is another tool at your disposal - common sense. Adages like "If it sounds too good to be true, it probably is" and "You don't get something for nothing" were made for the Internet. The bottom line is you do not know who is on the other end of an e-mail communication or a telephone line unless you have an already established relationship that has proven legitimate over an extended

THE WORTH OF A CHILD

By Richard Goldenberg, CPA

Those of us with children or grandchildren know that the cost of having them cannot be measured only in dollar outlays. The joys you experience when your four year old comes running intro your arms at the end of a long day, or the smile on your child's face on graduation day, thoroughly outweigh the sleepless nights of the newborn years through the teenage years, as well as the major battles over dress, hairstyle, bed times and the like. Our children are our pride and joy, and they come with a hefty price tag. Though the financial cost pales in comparison with the pure joy, love and pride one feels as our children grow to maturity, unless one is prepared for the financial aspects, you might be overwhelmed.

Every year, the USDA compiles statistics on the cost of raising children. Typically, the costs are broken into seven categories: housing, food, transportation, clothing, healthcare, childcare and education, and miscellaneous (reading materials, entertainment, toys, CDs, etc.). The data in the report is also broken into single parent and two-parent households, which is further broken down into three income categories for two-parent households and two categories for single-parent households.

Instead of loading you up with statistics, let's take a look at the costs as they pertain to lower-income two-parent households and lower-income single parent households. As you might expect, there are certain stages in a child's life where one type of expenditure may be particularly high. For example, childcare and education costs are higher during the first five years of a child's life and then decrease as they go through about age 14, but then sharply increase from age 15-17. This holds true across all income categories for two-parent families, but there is a spike in the 12-14 category for single-parent families. This is the only category where the numbers don't generally increase as a child gets older.

So what does the average family spend on a child during the first 17 years of life? The following table breaks down the numbers for households with incomes less than $40,700 per year.

Age of Child	Single Parent	Two-Parent
0-2	$5,700	$6,820
3-5	6,440	6,970
6-8	7,230	7,040
9-11	6,710	6,990
12-14	7,210	7,840
15-17	7,960	7,770
Total for age 0-17	123,570	130,290

By most accounts, these costs represent a significant piece of anyone's household budget, but the numbers are all the more sobering for families with two or more children who earn less than $40,700 each year. And bear in mind that these amounts only carry the child through high school graduation. The costs when you support your child through college graduation are that much higher.

Middle-income families represent those with income between $40,700 and $68,400. For these families, depending on the child's age, expenditures were anywhere from $9,510 to $10,560. Upper-income families earned more than $68,400. Their average cost for a child was anywhere between $14,140 and $15,350. For the record, these numerical definitions of low, middle and upper income families pertain only to the ranges of income for families involved in the USDA survey upon which the estimates of cost per child are based.

There are any number of lessons we can take from the USDA estimated costs of raising children, but there is one undeniable fact; raising a child is a significant endeavor from a financial and emotional standpoint. Not only does it take emotional strength, but it also takes planning and financial strength. If you have any concerns about your financial future, give us a call so we can discuss your alternatives to help your children best benefit from the resources you are able to provide.

INTERNET SCAMS *continued*

period. This common sense approach will minimize losses and wastes of your hard-earned money.

If you want to take a further look at this subject, you can go to a number of websites, including Scambusters.com, Netscalped.com, and hoaxbusters.org. None of these are the only resource to help you avoid scams, but they appear to be comprehensive and include links to various law enforcement agencies and other resources to help you stay safe. Taking the time to walk through these and other scam alert sites will save you tremendous headaches in the future.

This has been just a short trip into the world of online fraud. The subject could probably take up several print volumes, but suffice it to say that you have to be careful in cyberspace not to give away your money. Doing your homework can go a long way to avoiding possible losses. If you have any questions on this or other financial planning topics, give us a call. We are here to help and we have the expertise to do just that.

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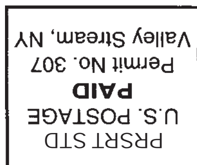

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DIRTY DOZEN, continued from page 5

equipment and services they falsely claim qualify for the Disabled Access Credit established by the Americans with Disabilities Act (ADA). The taxpayers make a minimal payment, sign a nonrecourse note and provide insignificant services to complete the purchase agreement.

8. ***Slavery reparations.*** Promoters have misled thousands of people of color, offering to file for tax credits or refunds related to reparations. No such credits or refund provisions exist under current law, and taxpayers could incur a $500 penalty for filing these claims if not withdrawn.
9. ***Improper home-based businesses.*** Promoters claim taxpayers can deduct most or all of their personal expenses as business expenses by establishing fake home-based businesses. The IRS points out that taxpayers can deduct business expenses only when a clear business purpose and profit motive exist.
10. ***Frivolous arguments.*** A "frivolous argument" is a false argument unsupported by law. It includes advertisements claiming a promoter knows the "secret" to never paying taxes again or offering "untax packages" for a fee.
11. ***Identity theft.*** You've probably heard horror stories about identity theft — a crook uses victims' personal data to raid their accounts, charge large purchases, apply for loans and credit cards, and otherwise wreak havoc on their financial stability and credit histories. Some perpetrators use bogus IRS forms to induce taxpayers to disclose personal data and banking information.
12. ***Sharing EITC dependents.*** Some unscrupulous tax preparers have convinced taxpayers to "share" their qualifying children with other taxpayers so both can claim the Earned Income Tax Credit (EITC). For example, a taxpayer with four children, who only needs to claim two for the credit, lets another taxpayer claim two of the children on his or her return to earn the credit.

The IRS and other federal agencies aggressively pursue and prosecute both promoters and their clients involved in fraud and tax evasion schemes. Taxpayers who participate in the Dirty Dozen and similar scams face the possibility of imprisonment, fines and repayment of taxes owed with interest and penalties. Even innocent victims become subject to costly interest and penalties. Consulting with a tax advisor could protect you from these devastating consequences.

Ideas & Trends

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