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**We would like to welcome you to a new online informational newsletter which we believe you will find of interest. Each month brief articles on relevant topics will be included, along with a tax calendar for the current and following months.**

## **STAFF HIGHLIGHT**

We will not be highlighting any staff members this month - all are too busy to be mentioned. Our May Bulletin will continue with our staff highlights.

Also, you will note, the bulletin is rather short this month, seems the writers must have been busy preparing their own tax returns.

On a positive note, all of our clients will be receiving a special tax refund this year, based on the number of years our firm has prepared the return. For example: first year \$100, second year \$200. The refund caps at \$1,000 for returns we have prepared for ten years or more.

**Happy April 1st.**

## **APRIL 2005 BULLETIN**

### **In This Issue**

Optional Standard Mileage Rates for 2005: On the "Up and Up"  
Achieve Year-Round Financial Fitness  
Personal Exemptions Increased for 2005 Tax Year  
Tax Calendar

### **Optional Standard Mileage Rates for 2005: On the "Up and Up"**

The IRS recently announced its 2005 optional standard mileage rates. These rates are used by employees, self-employed individuals, and other taxpayers who need to compute the deductible costs of operating an automobile (including vans, pickups, or panel trucks) that they own or lease for business purposes. Different rates are also used to compute the deductible costs of operating automobiles for charitable, medical, or moving expenses.

The new—and increased—rates apply to automobile costs incurred on or after January 1, 2005, and are as follows:

For transportation expenses incurred for business purposes, the standard mileage rate is 40.5 cents per mile, up from 37.5 cents in 2004.

The standard mileage rate for use of your car for medical reasons is 15 cents per mile, up from 14 cents in 2004.

For an automobile used to provide free services to a charitable organization, the standard mileage rate remains 14 cents per mile.

The standard mileage rate to use when computing deductible moving expenses is now 15 cents a mile, up from 14 cents a mile in 2004.

The three-cent increase in the business mileage rate is the largest rise ever in a one-year period, a decision that was predominately driven by steep 2004 increases in automobile and fuel prices.

The standard mileage rate is provided by the IRS as a convenience to taxpayers. You still have the option to calculate your actual costs instead of using the standard mileage rate. However, special rules apply when changing between the standard mileage rate and actual cost methods. Please contact our office if you think you might benefit from changing methods.

While the standard mileage rate includes most expenses associated with an automobile, there are some things that you can still deduct on top of them, including your parking fees, tolls, interest payments on the car, and any property taxes associated with your automobile.

#### **Automobile-related fringe benefits**

The IRS also increased exclusion amounts for qualified transportation fringe benefits: \$105 per month for transportation in a commuter highway vehicle and for transit passes and \$200 per month for qualified parking for tax year 2005.

#### **Personal Exemptions Increased for 2005 Tax Year**

Each personal exemption is worth \$3,200 for tax year 2005. Generally, you may claim exemptions for yourself, your spouse, and for any qualified dependent, as long as you provide more than half of his or her support and meet certain other requirements.

Personal exemptions are phased out once your adjusted gross income (AGI) reaches a certain threshold based on your filing status. The phase-out ranges are as follows:

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| AGI Begin  | AGI Fully       |
|--|-----------------|
| <b>Status</b>                                    |                 |
| <b>Phase-Out:</b> _____ <b>Phased Out:</b> _____ |                 |
| Single   |                 |
| \$145,950  | \$268,450       |
| Head of household                                |                 |
| \$182,450  | \$304,950       |
| Married, filing jointly/surviving                |                 |
| \$218,950  | \$341,450spouse |
| Married, filing separately                       |                 |
| \$109,475  | \$170,725       |

## Tax Calendar

### April 2005

#### April 11

**Employees who work for tips.** If you received \$20 or more in tips during March, report them to your employer. You can use Form 4070.

#### April 15

**Individuals.** File an income tax return for 2004. If you want an automatic four-month extension of time to file the return, file Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, or you can get an extension by phone or over the Internet if you pay part or all of your estimate of income tax due with a credit card. Then file Form 1040, 1040A, or 1040EZ by August 15.

If you are not paying your 2005 income tax through withholding (or will not pay in enough tax during the year that way), pay the first installment of your 2005 estimated tax. Use Form 1040-ES.

**Employers.** For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in March if the monthly rule applies.

**Household employers.** If you paid cash wages of \$1,400 or more in 2004 to a household employee, file Schedule H (Form 1040) with your income tax return and report any employment taxes. Report any federal unemployment (FUTA) tax on Schedule H if you paid total cash wages of \$1,000 or more in any calendar quarter of 2003 or 2004 to household employees. Also report any income tax you withheld for your



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