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We are pleased to provide you our 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

As part of our bulletin, we are continuing to highlight a couple of our team members. This month, we would like to introduce you to Debbie Kelly-Beck, who has been with the firm for over four years and Stephanie A. Angier, our newest firm member.

Debbie Kelly-Beck is a Level III staff accountant with over 20 years of experience in the accounting field. Her present duties consist of compiling financial statements and preparing sales and payroll tax returns for a variety of business clients. As part of business accounting services, Debbie also records and maintains detailed asset depreciation schedules. In addition to her accounting responsibilities, Debbie also prepares corporate, partnership and individual income tax returns and assists on special projects.

Prior to moving to Florida and joining Cohen, Smith, & Company, CPAs, Debbie worked for a county finance department, where she was in charge of accounts payable (federal, local & state funds) and was a partner in an accounting firm where she worked for over 8 years.

Debbie is married to Jim Beck, a certified fraud investigator, and they reside in DeLand. Her personal interests include spending time with her husband, especially riding the "Harley" with him, reading, baking and spending time with her niece Kelli.

Stephanie Angier is the most recent addition to the Cohen, Smith, & Company team. Her present duties as a Level II staff accountant consist of compiling financial statements and preparing sales and payroll tax returns for small business clients. As part of business accounting services, Stephanie also records and maintains detailed asset depreciation schedules. In addition to her accounting responsibilities, Stephanie also prepares corporate and individual income tax returns.

Prior to moving to Florida and joining Cohen, Smith, & Company, CPAs, Stephanie was a staff accountant preparing corporate, partnership, fiduciary, and individual income tax returns, as well as assisting with litigation support.

Stephanie attended Hesser College in New Hampshire and graduated with her BA in accounting. She hopes to continue her education at the masters level and eventually sit for the CPA exam.

Stephanie has been married to her husband Mike for a little over a year and they reside in Deltona. Her personal interests include spending time with her husband and dog, reading and working in her yard.

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Did You Know?

A federal court recently barred a Missouri truck driver from preparing federal tax returns for others after finding he understated tax liabilities to the tune of \$3.5 million . . . bringing to light the need to let your CPA, not your friendly truck driver, handle your tax preparation!

Source: The Wall Street Journal

Corporate Minutes Compliance Notice

Several of our clients have forwarded to us what looks like an official notice regarding compliance with corporate minutes. The notice typically includes preprinted information regarding the corporation. For a fee of \$100, the notice claims to produce annual minutes for your corporate book.

While annual corporate minutes are indeed important for all corporations and limited liability companies (LLC's), we suggest you take proper time and care to insure your annual company minutes reflect your specific corporate activity (election of officers, annual bonuses, retirement plan contributions, etc.) In some instances, or even each year, you may want to enlist the assistance of your corporate attorney to insure annual minutes are properly completed.

We strongly recommend not paying the \$100 suggested in the notice for a "canned" one or two page minutes document. If you have any questions about your minutes, please give us a call.

Sales Tax Deduction

As you may know, beginning last year, sales taxes were allowed to be deducted as an itemized deduction on Form 1040 Schedule A. This deduction hasn't been allowed since 1987. As part of claiming your deduction you must choose between (1) calculating the actual amount of sales tax paid during the year; and (2) using the IRS optional states sales tax tables. In either case, you must itemize your deductions.

If you choose to calculate the actual sales tax paid, you are strongly encouraged to retain your sales receipts throughout the year. If you decide to use the sales tax tables, you may also add sales tax paid on specific items, such as vehicle purchases and materials for home improvement.

You may not, however, include the sales tax paid on the purchase of items used in your trade or business (these are deducted on your business return). Other complicated rules govern the allowance of deductions for compensating use taxes. Also, your choice may have an impact on the imposition of alternative minimum tax. These issues can be further complicated if you are a part-time resident or move out of state during the tax year. Our office is prepared to discuss all of these complex considerations with you. If you have any questions, give us a call..

Sales Tax Holiday

Once again, the Florida legislation has passed a bill exempting certain clothing (items \$50 or less), books and school supplies (items \$10 or less) from sales tax. The exemption covers the period July 30, 2005 through August 7, 2005.

Hurricane-related supplies. If approved by the Governor, the legislature has also provided for exempt purchases of hurricane-related supplies during the period June 1, 2005 through June 12, 2005. Various items are covered by the proposed exemption including:

- any portable self-powered light source selling for \$20 or less;
- any portable self-powered radio, 2-way radio, or weatherband radio selling for \$50 or less;
- any tarpaulin or other flexible waterproof sheeting selling for \$50 or less;
- any self-contained first-aid kit selling for \$30 or less;
- any ground anchor system or tie-down kit selling for \$50 or less;
- any gas or diesel fuel tank selling for \$25 or less;
- any package of AA-cell, C-cell, D-cell, 6-volt, or 9-26 volt batteries, excluding automobile and boat batteries, selling for \$30 or less;
- any nonelectric food storage cooler selling for \$30 or less; or
- any portable generator used to provide light or communications or preserve food in the event of a power outage

Intangible Tax Rate Reduction

The 2005-2006 legislative budget forwarded to the Governor for signature, includes reducing the Florida Intangible tax rate by one-half. Presently, the tax is imposed on stocks, bonds and similar investments and includes a \$250,000 per person exemption. The tax is due by June 30 each year and is assessed at the rate of \$1 per \$1,000 of taxable assets.

If the tax lowering provision is signed by Governor Bush (as most expect he will), the rate for 2006 returns will be reduced to 50¢ per \$1,000 of taxable assets.

Watch for more developments to come.

Attention Small Employers

The Social Security Administration (SSA) will soon allow employers nationwide to verify whether their employees' Social Security numbers match the SSA's records online at www.socialsecurity.gov.

Correct names and Social Security numbers on W-2 wage reports are required to ensure successful processing of annual wage reports, which saves you additional processing costs. Verified information also allows the SSA to properly credit your employees' earnings records, which will be important in determining their future Social Security benefits.

This Internet-based verification system is expected to be up and running this year. Companies checking on 10 or fewer workers will receive an instant response, while larger requests will require a one-day wait period for processing.

Fiduciary Fees: They're Reportable!

If you've been compensated for your time and expenses while serving as a fiduciary or as the executor of an estate or a trustee, fees you receive are taxable income and must be reported on your tax return. With the rapid "graying" of our society, more and more of you will find yourselves serving in this capacity, bringing new responsibilities-and tax issues-that may be unfamiliar. Don't hesitate to call our office for help with these complex questions.

Other income

If you are not a fiduciary by profession, meaning that you serve as a trustee or other fiduciary on an infrequent basis, then the fees you receive are treated by the IRS as "other income," reportable on line 21 of Form 1040.

Estate deduction

The estate or trust can claim a deduction for these fees on either Form 706, U.S. Estate (and Generation-Skipping Transfer) Tax Return or Form 1041, U.S. Income Tax Return for Estates and Trusts.

TAX CALENDAR

MAY 2005

May 2

Employers. For Social Security, Medicare, and withheld income tax, file Form 941 for the first quarter of 2005.

May 10

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

Employers. For Social Security, Medicare, and withheld income tax, file Form 941 for the first quarter of 2005 only if you deposited the tax for the quarter in full and on time. Otherwise, Form 941 was due on May 2. See PUB 509, page 7.

May 16

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

JUNE 2005

June 10

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

June 15

Individuals. If you are a U.S. citizen or resident alien living and working (or on military duty) outside the United States and Puerto Rico, file Form 1040 and pay any tax, interest, and penalties due. If you want additional time to file your return, file Form 4868 to obtain two additional months to file. Then file Form 1040 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 second installment of your 2005 estimated tax. Use Form 1040-ES.

Corporations. Deposit the second installment of estimated tax for 2004.

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