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Spring 2006 ♦ Post-Tax Season Newsletter

Now That 2005 Taxes are History...

More taxpayers this year have been working through their tax returns using a home computer, the Internal Revenue Service said Tuesday.

The number of tax returns sent electronically from a home computer jumped almost 17 percent compared with this time last year. Nearly 11.4 million tax returns sent electronically to the tax agency were prepared by an individual.

"The home computer is increasingly replacing the paper tax form," said IRS Commissioner Mark Everson.

Tax professionals have filed another 28.1 million returns, nearly 4 percent more than had been filed by this time last year. In total, about 39.5

million people filed their tax returns electronically so far.

Taxpayers lost one electronic filing option this year. The IRS discontinued a program that allowed taxpayers with the simplest forms to file through the telephone. The tax agency said fewer taxpayers each year used that filing method.

It's not yet clear whether people who used the TeleFile system have chosen to prepare their own taxes and file electronically, visit a tax professional or ask a volunteer for help preparing a return, a spokesman said.

Overall, the IRS has gotten slightly fewer tax returns so far compared with this time

last year. Taxpayers have until April 17 or April 18, depending on their location, to file a return.

Electronic filing can speed delivery of a tax refund. Taxpayers due a refund can, on average, expect to receive a slightly bigger check this year. ☺

Office Hours

Monday - Friday
9:00am - 5:00pm

Saturday hours by
appointment only.

Contact us at
708-425-4433 to
schedule an appointment!

Accounting: More Than Counting

Bean Counting?

If you're a big baseball fan, you know that keeping track of how well your favorite team plays and predicting how it will do in the future is part of the fun. In businesses, government agencies, and nonprofits, accountants often engage in very similar activity.

Not simply bean counters, accountants analyze financial information and consult with upper management about important business decisions. Of course, some accountants also keep the books, recording every financial transaction.

Accounting majors learn how to gather, record, analyze, interpret, and communicate information about an individual's or organization's financial performance and risks.

Are You Ready To...?

Learn to use GAAP (generally accepted accounting principles)? Create and analyze balance sheets? Evaluate a company's efficiency and profitability? Study tax law? Learn to prepare tax filings? Use accounting information systems?

It Helps to Be...

Attentive to detail and analytical. Since accountants spend much of their time advising and communicating with others, from the general public to CEOs, communication skills are essential for success.

College Checklist

Is course work mostly applied (analysis based) or conceptual (theory based)?

Are bachelor's and master's degrees offered in separate programs or in a combined five-year program?

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Do Your Own Taxes or Hire a Pro?

There's no avoiding it now. You're getting the evil eye from that shopworn shoebox labeled "Tax," and it's stuffed to the gills with business-expense receipts, Form 1099s and undecipherable notes to yourself. But before you dive into the nitty-gritty, force yourself to address the big question: What's the best way for the self-employed to prepare their tax returns?

Let us make one thing perfectly clear: You should not face Uncle Sam armed with just a pencil, calculator and a sheaf of IRS forms. Even in this day of tax software, Web sites, preparers and CPAs all angling to complete your return, "about 50 percent of returns are prepared with pencil and paper," says Todd Stanley, product manager for Intuit Inc.'s TurboTax, a leading tax-preparation software package. Without the aid of software or a professional preparer, it's just too easy to commit basic errors of arithmetic, transcription and so on.

Vendors Say All You Need Is Software

If you file a Schedule C and use tax-prep software, you probably do not need to see an accountant or other tax professional, insist the folks at TurboTax and at TaxCut, a software package from H&R Block Inc. of Kansas City, Missouri. The packages lead you through a series of interviews that determine which forms need to be included in the tax return. Then, with your input, the software fills out the forms and, where required, transfers information from line to line and form to form.

"Bringing deductions to your attention" is one of the chief attractions of TurboTax, says Stanley, who is based in San Diego. The Home and Business version of TurboTax leads consultants and contractors through key areas such as depreciation, Section 179 deductions, the home-office deduction, vehicle expenses and IRS tests of a filer's status as an employee or independent contractor, he says. TaxCut, which also comes in a Home and Business flavor, covers the same ground, according to Frank Childress, a tax developer for the product.

Accountants Say You Still Need Their Advice

Not surprisingly, accountants have a very different perspective on the notion of "the rest of us" preparing our own taxes. "I think that many people who are self-employed have talents unrelated to doing taxes," says Gaylord Smith, a CPA and professor of economics and management at Albion College in Albion, Michigan. "Taxes are complicated. In most cases, people are happy they received advice from an accountant."

Kenn Tacchino agrees. "There's always value added by the professional, somebody who has the insights and can explain to you, for example, why an SEP-IRA could be a great idea for retirement savings," says Tacchino, who has a master's degree in tax law and is an associate professor of taxation at Widener University in Chester, Pennsylvania.

"These packages have gotten better over the years -- they are user-friendly," he acknowledges. But in some of the situations that contractors face, "filers have to know what they want to do," because they can't

always count on the software to lead them to the optimal tax strategy, he says.

Consider the Middle Road

OK, we've banished the software makers and the tax experts from the room; it's time to make your decision. Should you take your chances and pay about \$30 for tax-preparation software, or shell out five or 10 times that much for an hour or two with an accountant? If you doubt the need to hire a CPA each year, maybe the best solution is to combine these approaches, in either of two ways.

Option 1

Pay a CPA to do your taxes this year. Ask him a lot of questions throughout the process to make sure you understand the whys and wherefores. Then next year, if you feel confident about doing it yourself, go ahead and try it, using this year's return -- prepared by your accountant -- as a guide. Don't forget to factor in changes in your situation and tax law; when in doubt, run back to your accountant with your tail between your legs.

Option 2

Prepare the return yourself, using one of the leading software packages. When you're finished -- or stymied -- take the return to an accountant and have it professionally reviewed. Unless you've really screwed things up, you may save some money this way. Your accountant won't love you, but the feeling is mutual, right? ☺

Calculate Your Savings

Make an appointment today to get a head start on your 2006 taxes. Time spent now can mean more money in your pocket, rather than Uncle Sam's!

Contact us at 708-425-4433 to schedule an appointment!

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Does the program encourage internships? Will you have help finding one?

Does the school have a chapter of Beta Alpha Psi, a national honors fraternity for accounting students, or other undergraduate accounting societies?

Did You Know?

A balance sheet lists assets (resources like equipment and cash) and balances them against liabilities (costs like rent and employee salaries).

Course Spotlight

There is so much to learn in introductory accounting that it is sometimes offered over two semesters. In this course, you'll get to know basic accounting concepts as well as procedures for preparing the three basic financial statements: the income statement, the balance sheet, and the statement of cash flow.

In addition to attending lectures, you may also conduct research, analyze real cases, and visit the computer lab to act out simulations. ☺