INDIVIDUAL TAX NEWS
January 2008

baylis+company | PA
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Our strength is in numbers.

Audit & Assurance | Tax Compliance | Small Business Services | Management Consulting | Technology Solutions

A Note to Our Individual Tax Clients

As we approach this upcoming 2007 tax filing season, we wanted to review some important changes in our practice and how these changes may impact the preparation of your tax return.

The Internal Revenue Service has been encouraging electronic filing of tax returns for a number of years in order to improve accuracy and processing speed. In some situations and for certain taxpayers and organizations, e-filing is a requirement and no longer an option.

The internal processes for e-filing are more complex and time consuming than for the preparation of a paper based return and we have resisted this change in order to keep costs under control. However, it is difficult to maintain two separate processes and this year we determined it was necessary to fully embrace e-filing, since the long-run benefits to our clients outweigh the costs and challenges.

We are now implementing e-filing throughout our client base (for those clients who qualify for e-filing with various federal and state agencies). During the past six months we have refined all of our procedures and prepared a significant number of our extended returns using e-filing processes.

In addition, as an ***Authorized IRS e-file Provider***, we have exclusive access to the IRS e-services. With a signed power of attorney we are able to review the status of your account, determine when the IRS has recorded your estimated tax payments, and confirm wage and income documents.

Benefits of e-Filing

- **Increased accuracy**
- **Notification of acceptance**
- **Faster refunds**
- **Access to IRS e-services**

The e-filing process does require additional return preparation procedures and we do incur direct fees from software providers to actually file electronically with the IRS. We estimate that e-filing will increase the time and expense of preparing returns. We believe that the minimum additional cost will be $50 per return for simple returns and will increase based on the complexity of the return.

Since you might not be familiar with e-filing and how an IRS power of attorney works, we have prepared a brief summary of the e-file process and a description of what IRS Form 2848, Power of Attorney, will allow us to perform. You will find this summary on the reverse side of this newsletter.

As always, we welcome questions regarding this and other issues and encourage you to call our offices and speak to a member of our professional staff.

In this Issue:

Tax Planning Tip

Kiddie Tax: For 2007, the kiddie tax threshold amount is $1,700; the tax may apply to your dependent children who are under age 18 at the end of the year. Beginning in 2008, the kiddie tax will also apply to 18-year-olds who have unearned income in excess of the threshold and meet other requirements. The tax may also apply to children between the ages of 19 and 23 if they are full-time students.

Tax Organizers

Organizers, engagement letters and IRS Forms 2848, Power of Attorney, will be mailed to our individual tax clients by mid-January.

Please remember to return these documents to our office with your other tax documents.

Important Tax Due Dates

January 31, 2008
Deadline for issuance of 1099s and W-2s

February 15, 2008
Corporate tax return documents are due to us

March 10, 2008
Individual organizer and tax return documents are due to us

March 17, 2008
Corporate calendar year tax returns due

April 15, 2008
- Individual federal tax returns due
- IRAs contribution deadline for 2007
- Partnership calendar year tax returns due

e-Filing

Baylis & Company PA is now an ***Authorized IRS e-file Provider***, and we plan to e-file your 2007 tax return(s) if they qualify.

How It Works:

- We ask that you complete and sign IRS Form 2848, Power of Attorney, and return it to us with your tax documents (or Individual Tax Organizer).
- We'll prepare your tax return from the documents that you have given us and then we'll provide you a paper copy to review and keep for your permanent records.
- After you review your tax return, you'll sign (and return to us) a form that authorizes us to e-file your tax return.
- Once we receive your authorization, we'll transmit your return electronically to the IRS.

Benefits of e-Filing:

- **Increased accuracy:** In the past, the IRS has had to manually input your paper return (which was a slow and often error-prone process). With e-filing, before a tax return is accepted by the IRS, computer checks are performed to detect possible errors and missing information.
- **Notification of acceptance:** You will no longer have to mail your tax return and track its delivery. The IRS will send a confirmation of receipt within 48 hours after a tax return is e-filed.
- **Faster refunds:** Most e-file refunds are issued within three weeks, even quicker if you've opted to direct deposit your refund.
- **Use of e-services:** As an Authorized IRS e-file Provider, we have exclusive access to the IRS e-services. With a signed power of attorney we are able to review the status of your account, determine when the IRS has recorded your estimated tax payments, and confirm wage and income documents.

2007 Charitable Contributions

Cash contribution	Receipt required, no dollar limit
Check or credit card	No receipt required if under $250
Any contribution over $250	Receipt required
Gift of clothing & household items	Charity should acknowledge that it was received in good condition

IRS FORM 2848, POWER OF ATTORNEY

As an Authorized IRS e-file Provider, our firm can perform additional services related to the preparation of your tax return, including reviewing the status of your account, confirming estimated tax payments, and reviewing documents like W-2s and 1099s which are assigned to your federal tax identification number. You give us the authorization to perform these additional services by completing and signing IRS Form 2848 for specific tax forms and for specific years.

IRS Form 2848, Power of Attorney, ***will allow us*** to:

- Receive and respond to notices and communications from the IRS
- Represent you before the IRS
- Access online transcripts of wages and income
- Access online transcripts of your account (shows how the IRS recorded payments made by you)

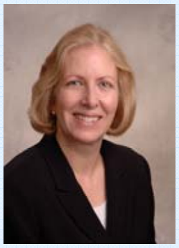
IRS Form 2848, Power of Attorney, ***will not allow us*** to:

- Sign your tax return on your behalf
- Receive your refund checks
- Substitute another representative
- Disclose confidential tax information to a third party

Meet Some of Our Staff…

Jean Bias has over 15 years experience in public accounting and as an adjunct instructor of accounting. She is a professional in our tax department. Jean has an undergraduate degree in accounting and an MBA in finance from Ohio State.

Nancy Noe has 30 years of experience in the accounting field and is a member of our professional staff. Nancy completed her BS in Accounting through the University of South Florida and is currently working on her master's degree in accounting through USF.



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