



September 13, 2011

More Tax News

Texas Wildfire Victims Given Tax Relief

President Obama has declared Bastrop County and parts of Texas as federal disaster areas, qualifying its residents and businesses to special tax reliefs. This means the IRS will extend deadlines that fell on or after August 31 and on or before October 31 to October 31 this year.

Corporations and other businesses that previously obtained an extension until September 15 to file their 2010 returns, along with individuals and businesses that received a similar extension until October 17 were also given the same deadline extension. It also includes the estimated tax payment for the third quarter, normally due September 15.

At the same time, the IRS is also going to cancel the failure-to-deposit penalties for employment and excise tax deposits due on or after August 30 and on or before September 14, 2011, provided the deposits were made by September 14, 2011.

If you live in the vicinity of the disaster area, the IRS will automatically grant you the filing extensions whereas if you live around there, you need to apply to the IRS to be granted the extensions. You can call the IRS disaster hotline at 1-(866) 562-5227 to request the tax relief.

Another form of relief victims living in federal disaster areas can claim is disaster related casualty losses deductions on their tax returns either this year or last year. If you claim it on last year's return, you will get an earlier refund, and if you claim it on this year's return, you could be eligible for a reduction in your taxes, depending on other factors such as your income.

If you are from Texas affected by the wildfires, you should write "Texas/Wildfires" at the top of the form on last year's return so the IRS can speed up the processing of your refund.

Tax Preparer Charged with Cheating

LaDonna Davis, a tax preparer in her aunt's tax preparation business, was charged with filing 3,044 false federal tax returns that claimed \$13,953,317 in fraudulent income tax refunds for her clients from 2006 through 2011. In addition, Davis also filed about 655 false tax returns in D.C. and claimed another \$835,000 in bogus claims from there and an unknown number of claims in Maryland and Virginia.

Court papers show that Davis grossly understated the income of her clients by filing fake businesses and itemized deductions and credits. She allegedly made up false business profits and losses, medical expenses, charitable donations and employee expenses in order to reduce her clients' taxable income and qualify them for tax credits. Virtually all the claims were granted refunds.

Davis does not have any formal training in tax preparation apart from what she learned from her aunt, who is named as an unindicted co-conspirator in the charge.