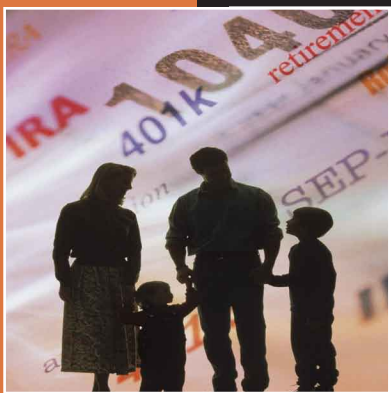


TAXES:

SAVE MONEY, SOLVE PROBLEMS



Consolidated Credit Counseling Services, Inc.

5701 West Sunrise Boulevard

Fort Lauderdale, FL 33313

1-800-210-3481

www.ConsolidatedCredit.org

Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.

Our Educational Team has created over twenty publications to help you improve your personal finances. By logging on to www.ConsolidatedCredit.org you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a “Best of the Web” debt calculator, a personalized budgeting tool, and much more.

We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburden by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling 1-800-210-3481 for free professional advice. We also have partnership programs available where groups, businesses and communities can hold financial workshops and receive free money management guides and workbooks like the one you are reading now. Please call 1-800-210-3481 if you would like to discuss pursuing a personal financial literacy program.

Sincerely,



Gary Herman

President

Consolidated Credit Counseling Services, Inc.

Taxes: Save Money, Solve Problems

Taxes take a big bite out of most American's budgets. In fact, they are the largest single expense for many of us.

To help Americans understand how much we pay toward taxes, the Tax Foundation announces a “Tax Freedom Day®” each year. This is the date by which Americans' average earnings equal their annual federal, state and local tax bills. In 2004, it was celebrated on April 11th. That means for the first three months of the year, the average American was working just for Uncle Sam! According to the Tax Foundation's research, Americans will work more days to pay taxes than they did to pay for food and shelter combined.

In addition, many people probably pay more taxes than they need to. A study by the Government Accounting Office found that missed deductions and credits resulted in more than 2 million Americans overpaying their taxes by approximately \$945 million in 2002, an average overpayment of more than \$400 per taxpayer!

At Consolidated Credit Counseling Services Inc. we often hear questions and concerns about taxes from the consumers we counsel. This brochure covers five tax topics that come up frequently:

- Saving Money on Taxes
- Lending Money to Uncle Sam (through refunds)
- Rapid Refunds
- Taxes and Settled Debts
- When You Can't Pay the IRS

Saving Money

Getting organized and keeping good records are the two keys to making tax time less painful and expensive. If you haven't already done so, start a file and notebook where you can keep track of your income and expenses. If you only receive income through one job and your employer withholds taxes, this will be easier. Still, it's a good idea to keep copies of your paystubs in case of any problems later on.

Always write down tax deductible expenses **immediately**, the same day you incur them. Otherwise, you're likely to quickly forget about them. Keep records and receipts of any items you may be able to deduct.

Scott Estill, former tax attorney and author of *Tax Secrets of Millionaires*, recommends you include five pieces of information in your records:

Who?

What?

Where?

When?

Why?

Answering these questions will usually give you the information you need to explain any items that may be questioned by the IRS.

Many people fail to take legitimate deductions because they are afraid it will result in their being audited. In fact, your best defense is to keep good records, check your returns carefully, and make sure you get good advice about legitimate deductions. But overpaying your taxes won't protect you against an audit.

**For a Free Consultation with
a Certified Credit Counselor
call 1-800-210-3481**

Here are some commonly overlooked deductions:

Charity - You may be able to deduct the value of items you give to charity, cash donations, as well as mileage for time spent driving in volunteer work for a qualified charity. If you donate goods to a charity, ask for a receipt. Expensive or large items should be independently appraised to establish their value.

Moving Expenses - You may be able to deduct moving expenses if you moved at least 50 miles from your old home, either for your current job or for a new one.

Job Expenses - The cost of education to maintain or improve skills in your current profession may be deductible. Job-related expenses such as union dues, uniforms, professional journals, dues paid to professional associations, unreimbursed business expenses, a cell phone used for work, and work tools may all be deductible -- though some will only be deductible to the extent they exceed 2% of your adjusted gross income.

Job Hunting Expenses - You may be able to deduct the expenses associated with looking for a job. Resume preparation and photocopying, postage, employment agency fees, long distance telephone calls and even mileage spent

driving to job interviews may be deductible.

Interest - You generally can't deduct credit card interest except on a business credit card. But you usually can deduct interest on a mortgage or home equity loan. Student loan interest is also often deductible. If you buy a home or refinance it, part or all of your points may be deductible as well.

Medical Expenses - You can generally only deduct medical expenses that exceed 7.5% of your adjusted gross income. But if you had significant medical expenses, you may reach that threshold faster than you think. Don't forget to include costs such as mileage spent going to doctor appointments, therapy or to fill prescriptions; treatments ordered by your doctor such as massages or those for weight loss; dentures, crutches, canes, hearing aids, eyeglasses or contact lenses; fees paid to a nursing home for medical care; health insurance premiums paid out of taxed income (different from the deduction available to those who are self-employed). You may also be able to deduct health insurance premiums if you are self-employed.

Child Care Expenses - If you paid someone to care for a child or a dependent so you could work, you may be able to reduce your federal income tax by claiming the credit for child and

dependent care expenses on your tax return, according to the IRS. This credit is available to people who, in order to work or to look for work, have to pay for child care services for dependents under age 13. The credit is also available if you paid for care of a spouse or a dependent of any age who is physically or mentally incapable of self-care. For more details, visit www.IRS.gov.

You may be able to take a tax credit of up to \$10,160 for qualifying expenses paid to adopt an eligible child (including a child with special needs). The adoption credit is an amount subtracted from your tax liability. The credit and exclusion for qualifying adoption expenses are each subject to a dollar limit and an income limit.

Other Expenses - You may not have thought about deducting some of these expenses, but they are worth checking out. They include gambling expenses (can't exceed winnings), tax preparation fees, safety deposit fees if used for business or investment purposes, legal fees paid to collect (taxable) alimony, worthless stocks or securities, alimony you paid, casualty or theft losses not reimbursed by insurance.

Important: Because tax laws change frequently, check with a

tax advisor before attempting to take any of these deductions. Also remember that some expenses will be deductible only if they exceed a certain percentage of your income.

Don't Lend to Uncle Sam

Getting a fat tax refund each year may be better than owing the IRS, but it may not be the smartest way to save. After all, it represents an interest-free loan to the IRS. And you'll have to wait to get that money back! According to the IRS:

- Federal tax refunds to individuals totaled more than \$202 billion last year.
- Nearly 100 million taxpayers got refunds (3 out of 4 returns).
- The average refund was slightly more than \$2,000.

Use the Withholding Calculator on the IRS website (www.IRS.gov) or talk with your tax professional about adjusting your withholding so you'll get more money in your paycheck now. Then put that money to work for yourself by paying down high-interest rate debt or creating an emergency savings fund. It's your money!

Avoid Rapid Refunds

Rapid refunds are usually touted as a way to get your money fast. But they can be very expensive. According to Consumer Federation of America, these loans drained over a billion dollars in fees from consumers' wallets last year. The effective interest rate charged on these loans (in the form of fees) can be between 70% and 700%!

Your best bet is to adjust your withholding so you'll get your money with each paycheck rather than paying for a quick refund.

Forgiven Debt

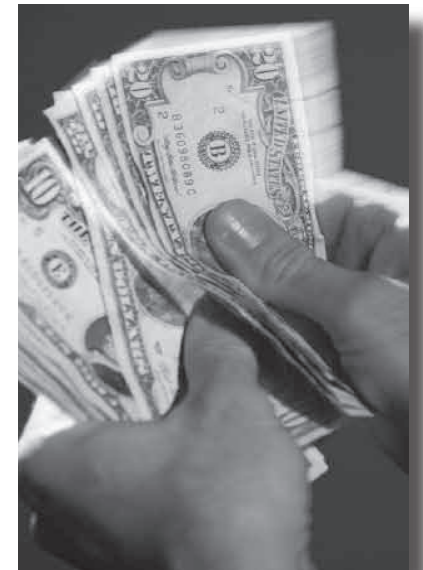
If you settled a debt with a creditor or collection agency for less than the amount owed, you may think the problem is solved. But not so fast! In many cases, the creditor or collector will be required to send you an IRS Form 1099-C reporting "Discharge of Indebtedness Income." In fact, it's required that anytime debts exceeding \$600 are forgiven (even if that amount included interest or fees) a 1099-C must

be filed. If the creditor reports this income you'll be expected to pay taxes on it. That's true even if you didn't receive a copy of that form yourself because you moved.

So what can you do? You may be able to get this tax liability wiped out if you are considered "insolvent" by the IRS, meaning you owe more than you own. For more information, consult a tax professional or read publication "Instructions for Form 1099-C" at www.irs.gov.

Having Problems Paying Taxes?

Owing the IRS money is no fun. The IRS can do things other creditors can't do to collect. Without going to court first, it can seize your property or place a lien on it, garnish your wages, or take money from your bank account.



If you owe the IRS money, it's a good idea to try to resolve the problem as quickly as you can. Here are several options:

Request a Repayment Plan: If you aren't currently in a repayment plan, and you've filed all your Federal tax returns, you can propose a repayment plan to the IRS. In fact, it's fairly simple. You simply file Form 9645 and propose a reasonable repayment plan. You'll pay a \$43 filing fee and interest, which is at a reasonable rate.

Put It On Plastic: We don't recommend charging your taxes, but there are situations where it makes sense, especially if it helps you avoid further penalties or IRS problems. Go to www.officialpayments.com for information on how to charge your taxes. You'll pay a fee of 2.49% as well as the interest charged by your credit card issuer.

Settle the Debt: You may be able to get some of your tax debt wiped out through an "offer in compromise." This is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS has the authority to settle, or "compromise," federal tax liabilities by accepting less than full payment under certain circumstances. While an offer in

compromise is officially considered an option of last resort by the IRS, many people who couldn't otherwise get caught up have used this to successfully put their overdue tax bills behind them.

According to the IRS, it may be willing to accept an offer in compromise if there is:

- Doubt that the assessed tax is correct.
- Doubt that you could ever pay the full amount of tax owed.
- Extenuating circumstances such as the collection of the tax would create an economic hardship or would be unfair and inequitable.

You don't need a tax professional to prepare an Offer in Compromise, but it may be helpful depending on your circumstances.

File Bankruptcy: Bankruptcy generally does not wipe out tax debts, and for most people it is not their first choice. However, if you have older tax debt and you simply cannot pay it, you may need to consider this option. Consult a bankruptcy attorney for advice.

Get Help With Other Bills: Creating a workable budget and a repayment plan for your other debts may free up enough money so that you can work out a payment plan to get caught up on your taxes. Consolidated Credit Counseling Services Inc. will be happy to review your budget with you.

Additional Resources:

The IRS website is www.IRS.gov.

Tax Secrets of Millionaires by former tax attorney Scott Estill.

Learn more at www.bizhelpcentral.com

Stand Up to the IRS by attorney Scott W. Daily
(www.nolo.com)

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or visit
www.consolidatedcredit.org

About Consolidated Credit Counseling Services, Inc.

Consolidated Credit Counseling Services, Inc. is a consumer oriented, nonprofit, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States.

Our mission is to assist individuals and families end financial crises and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit Counseling Services, Inc. is a member of the Better Business Bureau, the United States Chamber of Commerce, the Greater Fort Lauderdale Chamber of Commerce, the Association of Independent Consumer Credit Counseling Agencies, and the International Credit Association.

Notes

Now you can find **FREEDOM FROM DEBT!**

Consolidated Credit Counseling Services, a nationally recognized non-profit organization, will provide you with professional financial education, counseling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

Our professionally trained Certified Public Accountants will negotiate directly with your creditors to:

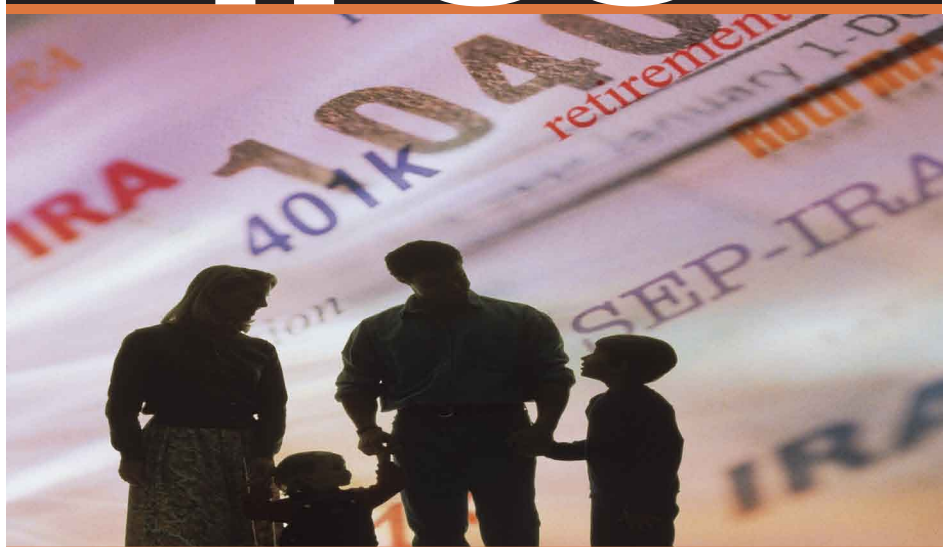
- Reduce or even eliminate interest rates!
- Lower monthly payments by up to 50%.
- Eliminate late charges and over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Rebuild your credit rating.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take your first step toward financial freedom!
1-800-210-3481
or visit www.ConsolidatedCredit.org



You can be **debt free**



There is help waiting for you now.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
 - Save thousands of dollars.



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