



Remember ... we're here to help.
 In the words of Albert Einstein: "The hardest thing to understand in the world is the income tax." That's why we're here!



1st Quarter 2006

HONECK • O'TOOLE
 ...where people count

revenue news

Ideas to help small businesses and individuals maximize income while minimizing taxes.



CHECK OUT OUR NEW WEB SITE

An exciting new Honeck•O'Toole Web site is online, offering more information and tools to help you manage your finances! Now when you visit www.honeckotoole.com, you'll find the following new resources for your small business and personal needs.

- **A detailed description of each service we offer individuals and small business owners.** You might be surprised to know how many services our staff provides beyond preparing your annual tax return. For example, we offer a comprehensive range of personal services, from estate planning and college funding to

cash flow management. Our small business services also cover a wide range of needs. You'll find a complete list on our home page.

- **An Important Dates page.** You'll find a list of upcoming due dates that might be useful to you, including IRS filing dates, Maine State sales tax reporting dates, and many others. We'll be updating this page often, so be sure to check it regularly, especially if you're small business owner. Simply click on the Important Dates tab on our home page.
- **A new Resources tab.** Now you can find a wealth of helpful links for managing your finances, working your way through the Maine State Revenue Services and Small Business Center, ordering office supplies and more.
- **An expanded Client Links page.** What a great opportunity to expose your business to 1,000+ Honeck•O'Toole clients and other site visitors! We've just started to build this list, but we plan to add hundreds of links as clients request to add their URLs. Any Honeck•O'Toole client URL can be listed on this page. Please e-mail us if you would like to add yours.

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Honeck-O'Toole Needs Your 2005 Tax Information by March 18, 2006

Remember—it can take up to four weeks to complete your tax return. Therefore, **we need all your tax information by March 18 to guarantee that you'll have your Federal and state returns by the April 18 deadline.** (Yes, that's April 18 this year and it is also school vacation week.)

We will need your information even earlier if you plan to be away on April 18. So, the sooner you send it the better. Please send us your tax organizer and tax materials right away, even if you don't have every detail completed. You can send any remaining items to us at a later date.

If you're unable to meet this deadline, we will file for an extension of the due date. Remember, you can extend the time to file but you cannot extend the time to pay. If you think you may have a balance due, you'll need to send a payment with the extension form.

5 Easy Ways to Meet Your Tax Return Deadline

1. **Put all tax return information in one spot (not the waste basket).**
2. **Open Honeck•O'Toole's tax organizer packet (if you can still find it).**
3. **Complete pages 1-7 (or at least make sure your name and address is correct).**
4. **Put organizer and tax information from stack (see step 1) back in envelope.**
5. **Mail to/drop off at Honeck•O'Toole, CPAs (by March 18, 2005!)**

Electronic Filing Available For Your Returns

Honeck•O'Toole can electronically transmit both your Federal and Maine tax returns for you. If you're expecting a refund, electronic filing speeds up the process so you get your refund check approximately two weeks sooner than if you mail your return. Some special forms cannot be filed electronically. If we are completing these forms for you, we'll let you know.

IMPORTANT NOTE: We must have your signed approvals to file your returns electronically. Simply check off the YES box next to the electronic filing question in our organizer. We will send you the appropriate forms to sign and return to us so we can electronically submit your returns.

Tax Information

How can we help you?

There's so much information available related to personal and small business taxes, we're not sure what to put on our Web site's Tax Information page. So, we're hoping you'll tell us. If a list of *Frequently Asked Questions* will help you, please provide your questions and we'll post the answers. If an overview of allowable home office deductions will help you, let us know. You can safely assume that your tax topic will interest other clients.

Please e-mail us your ideas or fax this brief form to: 1-207-773-2047. Thank you!

Name:

Business Name:

Please include the following on the Tax Information page of www.honeckotoole.com: _____

2005 Maine Property Tax

There's Still Time to Apply for 2005 Maine Property Tax or Rent Refund

Over 200,000 households in Maine qualified for property tax and rent refunds in 2005, yet many of them never applied for a refund of up to \$2,000. If you qualified for a refund, why leave it with the government? You still have time to apply for that money. In fact, you have until May 31, 2006.

Were you a Maine resident for all 12 months of 2004?

Yes No

Did you own or rent a home in Maine for all 12 months, and occupy that home for at least 6 months in 2004?

Yes No

If you answered yes to those two questions, you qualify for this refund if you meet the following additional criteria:

- You do not have a spouse or dependent(s) and your 2004 household income was \$74,500 or less, or
- You have a spouse or dependent and your 2004 household income was \$99,500 or less

AND

- Your 2004 property tax was more than 4% of your 2004 household income, or
- The rent you paid in 2004 was more than 20% of your 2004 household income (low-income seniors do not need to meet these requirements).

Here's where you can get complete details on this program and get the forms you need:

General Information:

Call 207-626-8476 (Weekdays 8:00 a.m.–5:00 p.m.)

I-file:

Visit www.maine.gov/revenue (click on Electronic Services)

To get forms:

Download from www.maine.gov/revenue (Click on Forms/Publications) or call 207-624-7894

Or, write to:

Maine Revenue Services, PO Box 9116, Augusta, ME 04332-9116

If you want us to handle the details, call Honeck • O'Toole and we will prepare the return for you!

Schedule K-1

Why Does a Schedule K-1 Add Time to Your Return Preparation?

If you invest in Partnerships, S Corporations, or certain trusts or estates, you receive an IRS Schedule K-1, which reports income or loss allocations on those investments. You may not know that the Schedule K-1 can be an extremely complicated form that requires careful and often time-consuming attention by your accountant.

Here's why. Partnerships and S Corporations, which can be a wise choice for a balanced portfolio, are considered "flow thru entities." Often these companies are carrying on business in multiple states, foreign countries or oil and gas investments. All the income and deductions from these investments are allocated to the owners or investors, who then have to report them on their personal returns. One limited partnership can be invested in many different businesses, and these are all reported on a Schedule K-1 to the individual. These investments are also subject to passive activity limits and at-risk limits...all of which can be very complicated for you (and us) to track and correctly report to the IRS.

Here's the kicker. Most investors do not understand how they have to report the information, and therefore, they often don't report it correctly. As a result, the IRS has revised the format in recent years to better match the information to the individuals return. It's no wonder that investors don't understand all of this. The instructions for the 1065 Partnership K-1 include 13 pages for this Schedule alone. And, each single number on the Schedule K-1 can require another form to be filed with the return. The biggest items that can add time to a return is when the K-1 reports income sourced in another state or an investment in a foreign business. It can easily take as long to enter the information from one multinational limited partnership correctly as it does to do the rest of the entire return.

Here's how we can help. Luckily, you can count on our skilled team to report your Schedule K-1 items for you. It's important to keep in mind that this adds significant time to our processing of your tax return. In fact, a single Schedule K-1 can require several hours of additional time. So, if you have one or more Schedule K-1s, trust that we'll report it correctly, but also know that it will take additional time for us to do the legwork that's required.

Tax Changes 2006

Tax Changes That May Affect You

Mileage rates, retirement funding limits and other changes may affect your 2005 tax return and 2006 tax deductions. Here's a brief overview. Please check with us if you have any questions.

Standard Mileage Rates

For tax years beginning in 2005, the allowable deductions for the standard mileage rates are as follows:

Category	Jan 1- Aug 31, 2005	Sept 1-Dec 31, 2005
Business Miles	40.5 cents a mile	48.5 cents a mile
Charitable Services	14 cents a mile	14 cents a mile
Charitable Services—Hurricane Katrina	29 cents a mile	34 cents a mile
Medical Reasons	15 cents a mile	22 cents a mile
Moving	15 cents a mile	22 cents a mile

For tax years beginning in 2006, the allowable deductions for the standard mileage rates are as follows:

Category	2006
Business Miles	44.5 cents a mile
Charitable Services	14 cents a mile
Charitable Services—Hurricane Katrina	32 cents a mile
Medical Reasons	18 cents a mile
Moving	18 cents a mile

HOW TO REACH US

T: 207-774-0882
F: 207-773-2047

www.honeckotoole.com
info@honeckotoole.com

Social Security and Medicare Taxes

For 2006, the employer and employee will continue to pay: 6.2% each for Social Security tax (old-age, survivors, and disability insurance), and 1.45% each for Medicare tax (hospital insurance)

Social Security Wage Limits: the maximum amount of 2006 wages subject to the tax has increased from \$90,000 to \$94,200. For Medicare tax, all covered 2006 wages are subject to the tax.

Retirements Savings Contribution Limits

Individual contribution limits for retirement savings accounts are as follows:

Category	General Contribution Limit	Total Contribution Limit w/Catch-Up (Over 55 years of age)
Employee 401(k), 403(b)	\$15,000	\$20,000
Employee SIMPLE Plans	\$10,000	\$12,500
Traditional and Roth IRA	\$4,000	\$5,000

Annual Gift Tax

In 2006, the amount of money or value of property you can give someone as a gift—without it being subject to the Federal gift tax—is \$12,000 per person.

◀ Web Site

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- **NEW! Credit card bill paying.** Just in time for tax season, you can pay your Honeck•O'Toole invoice with a credit card. You'll find the details in the Services page of our site.
- **NEW! Tax Information page.** This page is still under construction because we need your input to make it useful. Please fill out the brief form on page 2 to tell us what you'd like to see on the Tax Information page.
- **NEW! ReveNEWS e-newsletter.** Choose to receive a PDF version of this quarterly newsletter via e-mail instead of receiving a paper copy through "snail mail." It's easy to subscribe online using the form on our home page.

Clients in the News

Let's Hear It for All Our Clients!

As we head into our 21st year, we'd like to thank you for your business and congratulate you for all you've accomplished. In each issue of ReveNEWS, we'll continue featuring the wide range of fascinating and successful individuals and small businesses we're proud to call our clients—some who've been with us since day 1.

Two Generations of the Wolf Family

Burt Wolf, Portland's first pediatric dentist, met Jane Honeck when she worked at Peat Marwick, a major accounting firm in Portland. He was one of Jane's first clients when Honeck•O'Toole was established, and he stayed with the firm when he retired from his practice ten years ago to begin a second career. Now Burt invests in land in Greater Portland and parts of Down-east Maine. His latest project is investing in single-family lots for homeowners over the age of 55. When he returns from his snow-bird lifestyle in Key Biscayne, Florida, he'll be involved in a new endeavor in Machiasport.

Burt told us why he's still with Honeck•O'Toole after more than twenty years. "I enjoy working with the team at Honeck•O'Toole. They're very caring and professional... and it is admirable how they started out, how they've grown, and how they've maintained and enhanced their reputation of keeping their personal touch. I work with Peter Callnan now, and he's as great as Jane and Janet."

Burt also told us how his sons Alan and Jim got involved with Honeck•O'Toole. "My sons are pretty smart. They saw that I had a good thing and they jumped in."

Honeck•O'Toole: Where People Count!

53 clients
have been with us since our first year—1981
Over 1500
are with us now (as of January 31, 2006)

Alan Wolf, a Cumberland attorney, remembers meeting with Jane Honeck for tax assistance ever since he started working. "I've met with them at least once a year for over twenty years, and we've built a really solid professional relationship." Alan's firm is a unique blend of solo practice and a partnership with Terry Snow, also a Honeck•O'Toole client. Alan's work is focused 60% on litigation and 40% on real estate law. "Honeck•O'Toole handles my work-related taxes and personal taxes, and I occasionally ask Jane to help the non-profit organizations I'm affiliated with. Jane has always been generous with her time and energy for these organizations. I refer my clients to her all the time."

His brother Jim Wolf is also involved in real estate. In fact, Jim's business, Diversified Properties, owns more than a dozen companies related to residential property development, apartment management, buying underperforming loans, and lending. Jim told us that he started his business while still in college, "and Jane Honeck was helping with my taxes back then." Jim now works with Peter Callnan and is very happy to still be affiliated with Honeck•O'Toole. He said, "The relationship I've developed with Honeck•O'Toole has made it virtually impossible for me to consider a change, as the service and personal commitment I receive from them would be impossible to find elsewhere."

About Our Web Developers

Honeck•O'Toole client Jason Spooner, web designer, has worked as a senior designer and art director for the area's leading technology firms over the last 8 years. He's also a musician/songwriter.

Neil Arnold has served as a senior programmer at various firms throughout Maine and specializes in large, database-driven websites based in sql and asp.

Jason and Neil closely worked with Honeck•O'Toole to upgrade their first-generation Web presence. The new site involved a complete redesign and user-interface overhaul along with the implementation of a robust content management solution. Site maintenance is now largely in the hands of the Honeck•O'Toole staff, allowing for the regular delivery of fresh and dynamic content.

For more information: j Spooner@maine.rr.com

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**ALL NEW
WEBSITE**
HONECKOTOOLE.COM