



SOFTWARE NEWS

A Newsletter from CFS Tax Software, Inc.

Spring 2006

EARLY RENEWAL INCENTIVES

Early Renewal Discount

On this year's spring renewal form you will find that we automatically applied a discount to this year's renewal price for each program you renewed early last year. Each program you ordered by May 31st of last year will have a **\$10 discount** applied. Each program you ordered by August 31st of last year will have a **\$5 discount** applied.

For every program you renew by May 31st of this year, you will automatically receive a **\$10 discount** on next year's spring renewal form.

Continue to renew your software early each year, and you can be sure of receiving the discounted price next year!

20% Featured Program Discount

Have you noticed the "Featured Programs" highlighted on your renewal notice? These are programs we think will be of interest to you. To encourage you to try them, we are offering them at **20% off** the regular price when you renew early.

30% Discount on Supplies

Order your forms, envelopes and tax return supplies by May 31st and take a whopping **30% off** the already low price.

See our supplies catalog for a wide selection of forms, envelopes, labels, checks, and tax return supplies.

Free W2/1099 Forms Starter Kit

Receive a **free** starter kit of forms and envelopes—a **\$39 value**—when you order *W2/1099 Payroll System 2006* by May 31st.

The deadline for all of these offers is May 31st, so order today!



NEW COMBINED SOFTWARE/SUPPLIES RENEWALS

We have combined our software and forms/supplies renewals into one mailing.

Your renewal package contains a single four-page order form for renewing all your CFS products, plus copies of our latest software and supplies catalogs.

We believe this will make the renewal process simpler and more efficient—both for you and for us.

VISIT OUR NEW ONLINE STORE

Visit our new, improved online store and discover just how easy online shopping can be. At the new CFS online store, you can:

- View past orders;
- Get exact shipping costs instead of estimates;
- Purchase software, forms, presentation products in the same order.

Go to www.taxtools.com and click on **Online Store** under **Quick Links**.

"No CD" FREE SHIPPING OPTION

We have added a "no CD" option for customers who wish to save on shipping by downloading all of their CFS programs from the Internet. CFS customers can now choose from the following shipping options:

1. Receive only the initial release of each program on CD (download updates): **\$7 / order**.
2. Receive the initial release **and** all significant updates on CD: **\$25 / year**.
3. Download the program **and** all updates: **no CDs = no shipping charge**.

For details, see **Page 3**.

TAX QUOTABLE

"The income tax people are very nice. They're letting me keep my own mother."

—Henny Youngman

WHAT'S INSIDE...

NEW AT CFS...

- CFS** New features and modules in *TaxTools*;
- CFS** *TaxTools* flowcharts clarify *Uniform Definition of a Child*;
- CFS** CFS Discussion Forums;
- CFS** CFS E-news;
- CFS** Changes to sales vs. income tax deduction...

Pages 2 & 3.

CFS REMINDERS...

We may have said it before, but we think it bears repeating. **Page 3.**

CFS REFERRALS...

Save money with our new customer referral program. **Page 4.**

CFS ONLINE...

What can you find at taxtools.com? **Page 4.**



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WHAT'S NEW AT



NEW TAXTOOLS FEATURES, MODULES

Several new features and modules have been added to *CFS TaxTools*.

New features include:

The Federal/State Tax Planner is now capable of displaying certain key totals (AGI, Total Tax, AMT, etc.) at the top of each screen, allowing you to see at a glance how changes affect these totals.

The Favorites List is now more flexible and easier to use and manage.

Changes to the interface include more zoom levels, more color choices, and other visual enhancements.

New modules include:

General Ledger is a simple “shoebox” GL accounting program for preparing a balance sheet and profit & loss statement for a client, helpful for Schedule C filers.

Roth 401K vs. Regular 401K compares the future value of after-tax contributions to a Roth 401(k) to tax-deferred payments to a regular 401(k). For comparison purposes, the module also calculates the future value of investing the regular 401(k) payments into a taxable account on an after-tax basis.

Qualified Loan Limit/Deductible Mortgage/AMT Interest computes your qualified loan limit and deductible home mortgage interest for both regular income tax (Form 1040, Schedule A) and AMT (Form 6251). The calculations are based on the methods described in IRS Pub. 936 and the Form 6251 Instructions.

Flowcharts incorporating the new *Uniform Definition of a Child* include *Filing Status*, *EIC*, *Dependent Care Credit*, *Dependency Exemption*, and a new flowchart, *Uniform Definition of a Child*.

See the next column for more information on these new flowcharts.

TAXTOOLS CLARIFIES UNIFORM DEFINITION OF A CHILD

Codes of law can be complex and difficult to navigate. Fortunately, *CFS TaxTools* includes several flowcharts that can be of great help in unraveling the complexities of the tax code. The new *Uniform Definition of a Child*—part of the *Working Families Tax Relief Act of 2004*—is an excellent example.

Due to changes in the Code caused by the *Uniform Definition of a Child*, we have added a new flowchart to *TaxTools: Uniform Definition of a Qualifying Child*. We have also updated the following four related flowcharts: *Dependency Exemption*, *Earned Income Credit*, *Filing Status*, and *Dependent Care Credit*.

These last four flowcharts all ask the question “Is the dependent a ‘qualifying child’ of the taxpayer as defined in sec. 152(c)?” Obviously, in order to answer this question you must first complete the *Uniform Definition of a Qualifying Child* flowchart. A “Yes” answer from that flowchart can then be carried over to the qualifying child question in each of the other flowcharts.

Remember, in order to complete the *Dependency Exemption*, *Earned Income Credit*, *Filing Status*, and *Dependent Care Credit* flowcharts, you must **first** complete the *Uniform Definition of a Qualifying Child* flowchart.

TaxTools 2006 \$189⁰⁰
annual renewal \$139⁰⁰
annual network upgrade add \$150⁰⁰

STAY INFORMED WITH CFS E-NEWS

In our ongoing quest to keep our customers informed, we have determined that the fastest and most efficient way of getting information out is by means of a monthly e-mail newsletter.

Last October we sent the first edition of *CFS E-news* to all of our customers for whom we had a valid e-mail address. Subsequent issues have only been sent to those customers who opted to subscribe to *CFS E-news*.

CFS E-news contains timely information regarding changes in tax law, software updates and enhancements, technical support tips, and discounts and offers on CFS products.

To subscribe to *CFS E-news* or view past issues, go to www.taxtools.com and select **CFS E-news** from the **Newsletter** drop-down menu.

Remember—CFS will not share your e-mail address with other companies or organizations.

CFS LAUNCHES DISCUSSION FORUMS

In December, we launched our new *CFS Discussion Forums*—a web site where CFS customers can post questions and join in discussions with fellow tax professionals and CFS staff on topics relating to CFS software, the tax industry, or anything else they feel like discussing.

Access the *CFS Discussion Forums* at <http://forums.taxtools.com/>, or go to www.taxtools.com and click on the **Forums** drop-down menu.

TAX BENEFIT RULE AND STATE INCOME VS. SALES TAX

Recent IRS worksheets have modified the calculation of the taxable portion of state income tax refund to be reported in 2005 and 2006. The taxable portion of the state income tax refund is now limited to the difference between the amount of state income tax deducted and the amount of state and local sales tax that could have been deducted.

Previously, taxpayers might have been penalized for choosing to deduct state income tax and not looking at the net two-year tax benefit.

For example, for 2004 Taxpayer can choose a \$9,000 state income tax deduction or an \$8,000 state sales tax deduction. Taxpayer chooses to deduct the state income tax. In 2005, Taxpayer receives a \$2,500 state income tax refund. Previously, Taxpayer would have had to include the entire \$2,500 refund in his 2005 income, which may have resulted in a lower two-year tax benefit than if he had chosen to deduct state sales tax. However, according to the new rule, Taxpayer only needs to include \$1,000 of the refund in his income (the difference between the \$9,000 state income tax deducted and the \$8,000 state sales tax that could have been deducted).

Because of this change, we have restored last year's *State/Local Sales Tax Deduction Calculation and Comparison to State Income Tax Deduction* module to *TaxTools 2006*. This will allow tax preparers who did not calculate the allowable state sales tax deduction for 2004 to limit the taxable portion of the 2005 state income tax refund to the difference between the deductible state income tax and state sales tax.

The 2006 module displays a message stating that the 2006 taxable state income tax refund to be entered is limited to the difference between the amount of the state income tax deduction and the amount of the state and local sales tax deduction.



REMINDERS...

W2/1099 Forms Starter Kits

You will only receive a **free** starter kit of forms and envelopes if you order *W2/1099 Payroll System 2006* by **May 31st**.

However, starter kits are now available for purchase for \$39. See www.taxtools.com for details.

Shipping Policy

We have added a “no CD” option for customers who wish to save on shipping by downloading all of their CFS programs from the Internet. CFS customers can now choose from the following shipping options:

1. Receive the initial release of each program on CD and download all updates for **\$7 per order**.
2. Receive the initial release and all significant updates on CD for **\$25 per year**.
3. Download the program and all updates: **no CDs = no shipping charge**.

There are exceptions to this policy. Users of *Tax Form Fill-N-Print* and CD research programs (*Tax Research, California Research, Audit & Collections*) do not have a choice of shipping options, as they must receive several scheduled CD shipments.

Also, due to the number of updates required, users of *NY Sales Tax Preparer* **must** download all updates from the Internet, and therefore cannot choose option two.

California customers will receive an added benefit by choosing the third option. There is no sales tax on programs downloaded from the Internet!

E-mail Policy

We value our customers' privacy. We will not share your e-mail address with anyone, and we will honor your request to not bother you with unnecessary e-mail.

However, it is vitally important that we inform our customers of critical software updates, and e-mail is the fastest, most efficient way of doing so.

Therefore, customer requests to opt out of receiving CFS e-mail will *not* apply to software update notices. We will continue to e-mail software update notices to all customers for whom we have valid e-mail addresses.

Online Research Products

CFS Tax Research, California Research, and Audit & Collections are available online. Online versions contain the same information as the CD versions in a web browser interface similar to the interface used in our CD research products.

Advantages of the online research products include:

- Content is accessible from any computer with Internet access.
- Content is more current, due to more frequent updates.
- Content is more extensive, as it is not limited by the size constraints of a CD.

Tax Research and *California Research* are available as annual subscriptions at the same low price as the CD versions, with a discount for those who wish to purchase both CD and online versions. Purchasers of *Audit & Collections* receive both CD and online versions for the same low price.

California users: buy the online version and pay no sales tax!

**Tax Research or California Research,
CD or online \$149 (\$139 renewal)**

**Tax Research or California Research,
CD and online \$199 (\$189 renewal)**

**Audit & Collections,
CD and online \$279 (\$249 renewal)**



CUSTOMER REFERRAL PROGRAM

If you are a satisfied CFS customer, please tell a friend! Our success is based on word-of-mouth recommendations from customers like you. Fill out the form below and either fax or mail it to us. We will contact your friend and offer a 20% discount on his or her first order. If your friend places an order within three months, you will receive a 20% discount on any CFS program!

CURRENT CFS CUSTOMER	NEW CUSTOMER
Refer a colleague and receive a 20% discount on one program when your colleague places an order in the next 3 months.	Receive a 20% discount on your first CFS order when you place the order in the next 3 months.
Customer #: _____	Firm Name: _____
Firm Name: _____	Customer Name: _____
Customer Name: _____	Address: _____
Address: _____	City/State/Zip: _____
City/State/Zip: _____	Phone: _____
Phone: _____	E-mail: _____
E-mail*: _____	
*You will receive an e-mail confirmation that this form was received.	CFS will not sell or share customer information with any organization or company.
Rules	
<ul style="list-style-type: none"> • New Customer must place order within 3 months of the date this form is received. • New Customer must not have ordered from CFS in the last 3 years. • Current CFS Customer discount will be applied to the program of highest cost if more than one program is ordered at the same time. • Current CFS Customer's discount is valid for one year after the date this form is received. 	
<div style="border: 1px solid black; padding: 5px;"> <p>Fax to 805-522-0187 or mail to:</p> <p>CFS Tax Software, Inc. P.O. Box 879 Simi Valley, CA 93062-0879</p> </div>	

WHAT CAN YOU FIND AT taxtools.com?

At www.taxtools.com, you'll find all kinds of useful information, including...

Program Updates...

Need to update your CFS software, or just want to make sure you're running the latest version? Under **Quick Links**, click on **Software Updates**. Click on the CFS program you want to update, and you'll be taken to a screen where you can find the latest downloadable update, along with an **Update History**.

License Code Verification...

Misplaced your CFS license code? You can look it up at our web site. Under **Quick Links**, click on **License Code Verification**.

UPS Tracking...

Track forms and expedited software shipments from our web site. Under **Quick Links**, click on **Package Tracking**.

Expected Release Dates...

Want to know when to expect your CD or download your next update? Under the **Support** menu, click on **Release Dates**.

Technical Support...

Need help? You might find the answer in the **Frequently Asked Questions (FAQ)** section of our **Technical Support** page. If not, you can submit a **Technical Support Request**. Under the **Support** menu, click on **Technical Support**.

Secure Online Shopping...

Online shopping is even easier at our **new online store**. You can view past orders, get exact shipping costs, and conveniently make all of your CFS purchases in the same order. Under **Quick Links**, click on **Online Store**.

Show/Seminar Schedule...

Find out where and when CFS will be appearing at tax shows and seminars. Click on the **Show Listing** menu.

More...

At www.taxtools.com, you will also find product descriptions, customer comments, links, news, and downloadable demos.