Income tax help is now online

PC TALK

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The stacks of receipts and the W2's are just sitting there, aren't they?

You know you have to get to them before April 15th but its such a dreadful task that you keep putting it off as long as you can.

The Internet may not make the tax bite any easier to take but it can make the task of figuring out the bottom line and filling out the right forms a bit easier.

There are dozens of online sites up and running and promising to help you cut down on the calculating time.

The site to start, of course, is the source of all this trouble - the IRS **(http://www. irs.ustreas.gov/)**

The taxman's official site starts with the picture of a mailbox. Click on it and you're led to "The Digital Daily," the IRS' online newspaper that tries to present tax information in a light and breezy style.

The IRS has had big problems in past years with its online efforts.

This year, the agency is trying hard to encourage more "e-filing," or electronic filing. But instead of letting us zap off our 1040 through our own computer, the IRS site works with "industry partners."

That means that you can only send your form electronically with the help of someone else.

In this case, you can use a professional tax preparer or, if you want to do it yourself, one of the following three companies:

•TurboTax Online **(http://www.intuit.com/turbotax/ttonline/irshello.htm)** the top-selling do-it-yourself taxsoftware.

•Universal Tax Systems **(http://www.securetax.com)** make a product called SecureTax for onling tax form completion.

•Nelco, accessible by a direct link from the IRS site, lets you download its Tax Wizard software and prepare your return on-screen.

Last year, some 19 million Americans sent their forms off to Uncle Sam electronically.

The agency hopes it has the bugs worked out and that number will rise significantly this year.

My absolute favorite online site is from the people who make the personal finance software Quicken **(http://www.quicken.com/taxes/)**.

Since they also make TurboTax, their Web site links to lots of how to information on putting the software to use. If the news is really bad, you can even apply for a loan from the Quicken site.

Here are some other sites you may want to check out.

•The Michigan Department of Treasury has a tax form page **(http://www.treas.state.mi.us/formspub/frmindex.htm)** is a pretty comprehensive site, offering all sorts of tax-related publications and reports and information on starting a business in Michigan.

•The Tax Web **(http://www.taxweb.com/)**. This site claims to be the Internet's first and most comprehensive site geared towards consumers, offering answers to general tax questions, plus hyperlinks to lots of federal and state-sponsored tax sites that will allow you to conduct more detailed tax research.

•1040.com **(http://www.1040.com/)** prides itself on being a place that provides "tax info for ordinary people." There's an extensive series of Internet links and questions and answers about the tax laws as they apply to the typical individual taxpayer.

•Money Magazine **(http://pathfinder.com/money/goals/taxes.html)**. The magazine's online tax section tells you how to make sure you're now "audit bait" and shows you several strategies aimed at cutting your taxes.

•Nolo's Guide to Tax problems **(http://www.nolo.com/ChunkTAX/TAX.index.html)** This walks you through the information you need if you have a big tax bill due or, worse yet, end up being audited.

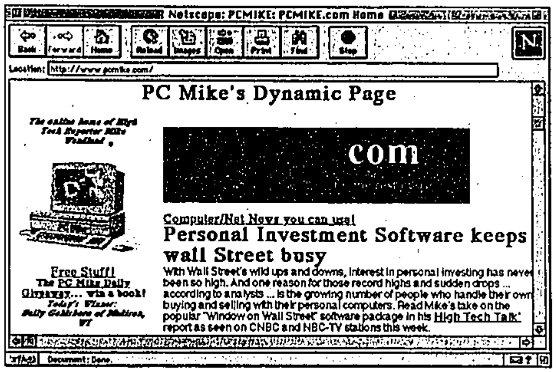
•The Tax Prophet **(http://www.taxprophet.com/)**. Maintained by a tax attorney, this site deciphers the Internal Revenue Code for individual taxpayers.

•And if you really want to find that loophole, try the U.S. House of Representatives Internet Law Library **(http://law.house.gov)** for the complete Tax Code itself... as well as hundreds of other laws, too.

The Internet's Usenet has two tax-related newsgroups that are worth checking out.

Look at misc.taxes for a freewheeling, anything goes discussion or misc.taxes.moderated , for more structured postings.

Mike Wendland covers the Internet for NBC-TV Newschannel stations across the country and can be seen locally on WDIV-TV4, Detroit. His "PC Talk" radio show airs Saturday and Sunday afternoons from 4-6PM on WXYT-Radio AM1270 and he is the author of a series of Internet books (call 888-222-1866). You can reach him through his Web site at http://www.pcmike.com.



PCMike: *You can check out Wendland's Web site at www.pcmike.com.*

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tions (up to $2,000) to a Traditional IRA to the extent the individual cannot (or does not elect to) make deductible contributions, the earnings on such nondeductible contributions are taxable when withdrawn.

Under Roth, individuals are permitted to make annual contributions to a Roth IRA. Subject to the limits described below, contributions and earnings may be withdrawn tax free in certain circumstances.

Income limits

There is no income limitation on eligibility to make nondeductible contributions under the old law.

The contribution amount for a Roth IRA is phased out between $150,000 and $160,000 (for married couples) and $95,000 and $110,000 (for single individuals).

Overall limits

Nondeductible contributions to IRAs are not currently affected *by the amount of elective deferrals* made to a 401(k) plan or 403(b) program. Under Roth, same as present law, contributions made to a traditional IRA are counted toward the annual limit on contributions to a Roth IRA. The maximum contribution to a Roth IRA is $2,000 ($4,000 per married couple) less contributions to all (excluding SEP-IRA) IRAs other than to a Roth IRA.

Distributions

Under the old law, contributions are returned tax-free but earnings are taxable. Distributions prior to age 59½ are subject to an early withdrawal penalty unless the distribution is due to death or disability, made in periodic payments, for certain medical expenses or on account of unemployment.

Under Roth, all amounts (including the earnings) may be withdrawn tax free and without application of the 10 percent early withdrawal penalty if (1) a 5-year holding requirement is satisfied; and (2) the withdrawal is made after the individual attains the age 59½, dies, or becomes disabled, or amounts are used for a first-time home purchase for the individual or certain family members. Other distributions are taxable to the extent of earnings and subject to the 10 percent early withdrawal penalty rules.

Holding period

The 5-year holding period begins to run with respect to all contributions (and their earnings) made to a Roth IRA on January 1st of the year in which the first contribution is made to the Roth IRA. As a result, the five-year period begins with the first year for which the IRA is opened. For rollover contributions from a Traditional IRA, the five-year period begins with the year of rollover.

Ordering rule

For purposes of determining what portion of a distribution is taxable earnings where the five-year holding requirement and the special purpose requirement are not both met, distributions are treated as made from contributions first. As a results, no portion of a distribution treated as *taxable earnings until the total* distribution amount exceeds the total amount of contributions.

Rollovers

A Roth IRA may be rolled over to another Roth IRA tax-free. If the taxpayer's adjusted gross income does not exceed $100,000, amounts held in a Traditional IRA may be rolled over into a Roth IRA; however, the individual will be immediately taxed on the amount rolled over. If such rollover occurs before January 1, 1999, the tax can be paid over a 4-year period, beginning with the year of the rollover. The 10 percent early withdrawal tax will not apply to amounts rolled over.

Contributions after 70½

Not permitted under the old law, an individual may contribute to a Roth IRA after the age of 70½.

Distributions after 70½

Required minimum distributions must begin after the calendar year in which taxpayer attains age 70½, and also must be made after a taxpayer's death under the old law. Under Roth, no minimum distributions required prior to death. The post-death minimum distribution rules under Section 401(a)(9) continue to apply.