

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

Well that was an amazing week. A committed jihadist, the architect of the 9/11 attacks, killed in plain sight of an elite Pakistani military training center, the marriage of the future King of England and Canadian elections returning a Center Right conservative government for majority control in Canada for the next four years.

The US dollar rebounded on the news of Bin Laden's death and oil and gold took a tumble from their nose bleed rarified heights. Let's see how long it takes for prices at the pump to come down, don't hold your breath.

The US economy added more jobs in April than anticipated, but counter intuitively the unemployment rate rose to 9%.

The evidence is still mixed as to the strength of the economy – but there is little movement in house prices, in fact a strong argument can be made that we are heading into a double dip price reduction in housing values.

Governments, at both the state and federal level continue to shed staff as budgets are still bleeding red ink and tax revenues continue to stagnate where revenues are based on sales taxes or on property values, both sources of revenue from the states are struggling under high unemployment and low home values. The debt ceiling debate still looms large.

Who is paying their fair share?

A new analysis by Congress's nonpartisan Joint Committee on Taxation found that 51 percent of U.S. households did not pay any federal income tax in 2009. The report was unveiled during a hearing last week by the Senate Finance Committee on the distribution of tax benefits and burdens in the Tax Code "American taxpayers are skeptical that the answer to our fiscal problems is for them to sacrifice more, when almost half of all households are not paying any income taxes," said Sen. Orrin Hatch, R-Utah, the ranking Republican member on the committee. "Those who promote higher income tax rates in the name of equality and deficit reduction need to come clean about what this means. With the income tax base so narrow, meaningful reductions in our deficits would require far more than taxes on the rich. Those tax increases would squarely hit the middle class, which the President and others have said is off limits. In short, the quest for social equality results in fewer resources and worse outcomes for the nation as a whole and the poor in particular."

According to the JCT analysis, 51 percent of all households, which includes filers and non-filers, had either zero or negative income tax liability for tax year 2009. The committee also found that 30 percent of tax units actually made money off the income tax system for the 2009 tax year. "We are in a situation where people are talking about increasing taxes on higher income people because, supposedly, they can afford it—and probably they can afford it," said Sen. Chuck Grassley, R-Iowa. "But I get sick and tired of the demagoguery that goes on in Washington of taxing higher income

people. And particularly, how high do marginal tax rates have to go to satisfy those clamoring for higher taxes that the wealthiest in this country are paying enough money?"

Senate Finance Committee Chairman Max Baucus, D-Mont., noted that Americans want to see a fairer and more equitable tax system. He pointed to a recent poll in the Associated Press that found most taxpayers said they believe the taxes they currently pay are fair, but that most believe that the wealthy don't pay their fair share.

"The perception is that tax loopholes and benefits exist that average Americans don't know about and can't access," said Baucus. "The wealthy folks can hire attorneys and accountants to find every credit and deduction, while average Americans can't afford that time and that expertise. One factor behind this perception may be the way changes to the code have affected people differently. Since 1986, Congress has made over 15,000 changes to the Tax Code. In most cases, these changes haven't benefited all taxpayers."

According to IRS data, he noted, the 400 taxpayers with the highest adjusted gross incomes had an effective tax rate of just below 17 percent for the 2007 tax year. The average income for those taxpayers was \$345 million per household. But the effective tax rate of people earning between \$1 million and \$1.5 million was 24 percent.

High-end income concentration has greatly increased since the passage of the Tax Reform Act of 1986.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,565.80	\$1,495.20	\$1,500.00	\$1,600.00
Oil	\$113.73	\$98.06	\$100.00	\$120.00
Dow Jones	12,810.54	12,638.74	12,800.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	8.80 %	9.00 %	9.00 %	9.50 %



Services that we provide:

- Tax preparation, individuals, corporations, LLC's, partnerships, overseas residents, non resident aliens, prior year returns
- Annual minutes for your company
- Ability to use Quickbooks and Quicken files, Online Quickbooks
- Certified Quickbooks Pro Advisor
- Monthly accounting – we will prepare your financial statements, bank reconciliations and depreciation calculations
- Payroll preparation and filing – we offer turnkey payroll solutions
- Human Resource Management – we can prepare an employee handbook for your particular situation
- Entity selection and compliance with various State and Federal regulations
- Efficient tax strategies – we can **recommend** the most appropriate strategy for your particular situation
- Financial planning - we can give you appropriate financial planning and budgeting information
- Forensic accounting – we can investigate “white collar” crime committed against you, or your business
- Valuation services – we can assist with the valuation of your business and investment assets for specific applications, estate planning, divorce, buy and sell agreements

New for 2010 tax year in 2011:

- You will be able to check on the status of your refunds www.irs.gov
- We will store your source documents online in a PDF file format for easy access in future years
- Electronic filing of Sub S and C Corporations and Partnerships
- We will be able to file multiple state returns this year – in the past we were limited to the number of state returns we could file for you
- Medical records – we are giving you the opportunity to have all your medical records in one secure location – www.allmymedicalrecords.com
- Charitable donations. Maintain your charitable deductions during the year at www.allmydeductions.com. In that way whether you use cash, credit card, debit card, checks, or donation of clothes etc you won't miss any deductions. Use our convenient list of accepted valuations to value your donated goods to Goodwill, Salvation Army, church, etc
- Entity selection – we have extensive information on company formation, whether it be an LLC, S Corporations, or C Corporations. Once you are incorporated we will walk you through the setup process
- Federal Identification applications – we can file and receive federal identification numbers – all on line for your convenience
- On line legal forms – we have the ability to prepare basic legal forms online
- Payroll preparation – we offer a comprehensive, competitively priced online payroll preparation service



Payroll Processing Services

You provide:

- Hours worked and employment information and forms for the staff. You can email, (Karen@psspaysroll.com) fax (210) 694 0164 or call toll free (800) 937 8868 to give us this information

We will provide the following services:

- No long term contract
- Payroll preparation for your employees and direct deposit of payroll checks and ACH transfer of payroll amount
- Payroll calculation within 24 hours
- Compliance with all government and state withholdings requirements
- Detailed invoice for all payroll related costs

Each Pay Period you will get:

- Payroll stubs for employees
- Management report detailing cost breakdown but only one amount to pay for all federal and state taxes
- Direct deposit of net payroll

Each Quarter

- We will file all state and federal reconciliation reports

What we need to get started:

- W4's for each employee
- I-9's for each employee
- Direct deposit information for the employees
- Bank details for the company's payroll account
- Your Federal ID number for the business