

# Carr Talks

## TAXLOGIC



### WEEKLY SUMMARY

As the second week of the New Year starts under the cloud of another mass shooting, Congress has delayed voting on the repeal of the health care bill for at least a week. The unemployment rate dropped slightly last week, but the housing market continues to drift downward. Anecdotally, it would seem that a lot of businesses have leveled off at these current levels and are building a base for recovery. But problems still abound.

The debt crisis in Europe is not going away and “contagion” is on every bankers lips. Weak currencies are being targeted and a domino effect is a real possibility unless many of these countries adopt severe austerity programs. Domestically, in the US, Government unions will come under increasing pressure to renegotiate generous pension and benefit plans awarded in earlier times. Property taxes and sales tax revenues lag in states still stung by significant reductions in consumer spending and the mortgage foreclosure crisis nowhere close to being resolved.

### Finance and Taxes

As the 2011 tax season starts it is worth review the “hot spots” that IRS targets in audits. Remember that audits are performed to raise additional revenue. So areas that are targeted generally result in significant adjustments – not in the taxpayers favor.

#### 1. Failure to report all taxable income.

The IRS receives copies of all 1099s and W-2s that you receive during a year, generally 18 months later. Make sure that you report all required income on your tax return IRS computers are pretty good at matching these forms received with the income shown on your return. A mismatch sends up a red flag and causes IRS computers to spit out a bill. If you receive a 1099 for income that isn't yours or the income listed is incorrect, get the issuer to file a corrected form with the IRS.

#### 2. Returns claiming the home-buyer credit.

First-time homebuyers and longtime homeowners who claimed the homebuyer

credit should be prepared for IRS scrutiny. Make sure you submit proper documentation when taking this credit. First-time homebuyers have to attach a copy of their settlement statement to the return, and longtime homeowners should also attach documents showing prior ownership of a home, including records of property tax and insurance coverage. All claims for this credit are being screened. As of May 2010, more than 260,000 returns had been selected for correspondence audits (examinations done by mail rather than face-to-face) because filers did not attach the necessary documents to their tax returns. And those numbers will continue to grow.

Also, the IRS has ways of policing the recapture of the homebuyer credit. Generally, the credit is required to be recaptured if the home is sold within three years for homes brought in 2009 or 2010 and within 15 years for homes bought before 2009. The IRS is checking public real estate databases for sales of homes for which the credit was taken.

### Technology

#### GET FREE ANTIVIRUS SOFTWARE

Why: Because attacks on unwitting users are more widespread and tactics are growing more advanced. How: Windows users should download [Avast Free Antivirus](#). Mac users can download [iAntiVirus Free Edition](#). Both applications will provide a basic level of security against a variety of so-called malware. And they cost zero.

#### GET A BETTER DEAL FROM YOUR CABLE, PHONE AND INTERNET PROVIDER

Why: Because it does not take

much to get them to give you free (or cheaper) services. These companies are generally indifferent to customer needs, but they are quick to cough up discounts — if you ask.

How: Just call and ask — they will probably give you something. Other tactics: Measure your Internet speed, using [dslreports.com/speedtest](#); if it is less than what you are paying for, ask for a free upgrade. Or ask to speak to the cancellation department. That usually scares them.

[www.carr.co.nz/stats](http://www.carr.co.nz/stats)

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,421.40	\$1,369.70	\$1,350.00	\$1,600.00
Oil	\$91.38	\$88.48	\$90.00	\$120.00
Dow Jones	11,577.51	11,674.76	11,700.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.80 %	9.40 %	9.40 %	9.50 %