

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

Men behaving badly what a week it was for powerful men being humbled by their own hubris. If submitted as a movie script it would be rejected as being fanciful. Arnold and DSK will now be household names in infamy.

Unfortunately their actions consumed the media. This week, the Dow retreated for the third straight week. LinkedIn, a third tier Social Media Internet company, (behind Facebook and Twitter) went public and their shares almost tripled. Can you say "Internet Bubble Déjà vu?"

The Greece government finances were downgraded yet again with default seeming around the corner, the austerity measures that IMF is requiring, may be worse that the strategic defaulting that many Americans have done with their mortgages.

Also this week, while a religious zealot predicted the end of the world on the 21st May, the US Secretary of the Treasury also predicted Armageddon as the US hit the debt ceiling limit, neither of which eventuated. But through smoke and mirrors Geithner will be able to delay the day of reckoning for ten weeks or so.

The US reported that 35+ states had reductions in their unemployment rates, but Nevada still has a stubbornly high 12.5+% rate.

So, the economy still seems weak, the rebound tepid at best and the outlook uncertain. Welcome to the new reality.

Independent contractor vs. Employee

The IRS is stepping up audits on employee classification. It is very important to make the proper decision about employee classification.

If an employee is incorrectly identified as an independent contractor you may be liable for the self employment taxes that you should have paid plus penalties. If you are unsure don't feel bad you are in good company. Congress' General Accounting Office (GAO) has estimated that 38 percent of employers examined misclassified "independent contractors". Both Wal-Mart and FedEx have lost lawsuits or paid penalties relating to misclassification of employees.

The general rule is that an individual is an independent contractor if the person for whom the services are performed have the right to control or direct only the result of the work and not the means or methods of accomplishing the result. In determining whether the person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered.

Facts that provide evidence of the degree of control and independence fall into three categories:

Behavioral: Does the company control or have the right to control what the worker does and how the worker does his or her job?

Financial: Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)

Type of Relationship: Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?

The behavioral control factors fall into the categories of:

- Type of instructions given
- Degree of instruction

- Evaluation systems
- Training

Financial control refers to facts that show whether or not the business has the right to control the economic aspects of the worker's job.

The financial control factors fall into the categories of:

- Significant investment
- Unreimbursed expenses
- Opportunity for profit or loss
- Services available to the market
- Method of payment

Type of relationship refers to facts that show how the worker and business perceive their relationship to each other.

The factors, for the type of relationship between two parties, generally fall into the categories of:

- Written contracts
- Employee benefits
- Permanency of the relationship
- Services provided as key activity of the business

There is no "magic" or set number of factors that "makes" the worker an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another.

The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination. This is obviously a complex area and the above is by no means complete.

When someone is unsure of the status they can file form SS-8 with the IRS and they will make the determination. This can take up to 6 months but if you or anyone in a business that continually hires the same types of workers to perform particular services you may want to consider this option.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,494.20	\$1,4	\$1,500.00	\$1,600.00
Oil	\$99.34	\$99.34	\$100.00	\$120.00
Dow Jones	12,595.75	12,59	12,600.00	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 is 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 (580) 286 5818 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 required state and federal quarterly 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