

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

The Greek economy spluttered to the abyss of default this week, as other European nations balked at the additional costs of supporting a weakened member of the Euro. At present the outcome is unclear. Failure of the Greek economy – with government debt 160% of GDP, will plunge the European Union in uncharted territory.

The US economy continues to struggle. This week the Case-Shiller home value index pointed even further lower adding to the woes of the foreclosure market. Given that in some markets for every one foreclosed home that sells in a month, eight are added to the rolls, there seems no end in sight for home owners' misery.

The US dollar continued to weaken against major currencies this past week. It gave some relief at the pumps with most of you noticing at least a 20 cent per gallon decline in the past week over what you were paying a month ago.

Interest rates remain at historically low levels, but if the banks are not lending, or the requirements so severe, how meaningful is it?

As we come into the 6<sup>th</sup> month of the year already, the economy looks tentative. Some parts of the economy, specifically banking and new car sales seem strong, but retail, the bulwark of US economic growth remains weak.

## Record Reconstruction

With hurricane season approaching, devastating tornados in the Midwest, severe flooding in the North East, what happens if your tax records are destroyed?

Firstly, on the assumption that there was no loss of life, you should take the opportunity now to have a disaster recovery program in place for your critical records, before an unexpected disaster occurs, or even computer melt downs, thefts, or even just plain old being misplaced ("dog ate my lunch defense").

The word "**mercy**" does not exist in the tax code or its regulations. Do not expect mercy from the IRS or the courts.

A recent court case reinforces the position that IRS is a collection agency. David E. Christensen was hoping for mercy when he arrived in court with no records to prove his deductions. He explained that his records were either destroyed in "hard disk crashes" or were lost while moving.

The court explained to Christensen that when you lose your tax records for any reason—including floods, theft, tornados, hurricanes, and earthquakes—you have the right to substantiate your deductions using a reasonable reconstruction of those records.

Christensen testified in court, but the court found the testimony deficient, noting that Christensen contradicted himself, admitted to errors in his Schedule C expenses, and, in some instances, could not recall what he claimed the expenses for. The court ruled that Christensen did not make a good-faith effort to reconstruct his expenses, did not provide documentation, and did not provide corroborating evidence to bolster the credibility of his testimony. On the basis of Christensen's failure to produce records, the court disallowed all of his Schedule C

expenses—\$46,669, \$44,451, \$44,063, and \$39,135—in the four years under consideration.

**No excuses.** The law allows you a redo when your records are destroyed. If you don't do the redo, the IRS will take away your deductions and the courts will have no sympathy for you.

**Ask yourself:** How safe are my tax records?

Could I reconstruct? Take steps, like backing up your computer files and putting your paper documents in fireproof filing cabinets. These extra expenses are a huge bargain compared with the alternative of reconstruction.

**Reconstruction:** In order to rebuild your files, the first place would be bank statements. But banks are charging large fees to get back statements and canceled checks. Online access to your statements is one method to assure access to old statements. The second would be credit card statements. Again online access to past years is an easy, essentially free backup system. Just make sure you sign up for the option to have access to your accounts online. Third, your tax returns can now be saved online – most providers, including us, provide online access to prior year returns. If you are in a predominately cash business you will need access to your major vendors to prove the amount of sales and back into the sales amounts. Your sales tax are now being reported electronically and prior year periods are available from the state online showing the amounts of gross income. Mileage records can be reconstructed from smart phone calendars. With technology, the process is easier but still requires constant review and maintenance.

|              | Last Week  | End of Week | Next Week  | 12/31/2011 |
|--------------|------------|-------------|------------|------------|
| Gold         | \$1,513.60 | \$1,537.50  | \$1,500.00 | \$1,600.00 |
| Oil          | \$99.91    | \$101.15    | \$100.00   | \$120.00   |
| Dow Jones    | 12,512.04  | 12,441.58   | 12,400.00  | 12,250.00  |
| Prime Rate   | 3.25 %     | 3.25 %      | 3.25 %     | 4.00 %     |
| Unemployment | 9.00 %     | 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](http://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](http://www.allmymedicalrecords.com)
- Charitable donations. Maintain your charitable deductions during the year at [www.allmydeductions.com](http://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@psspayroll.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