

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

The US Stock market finally beat a 6 week slide by finishing up slightly for the week, marked by 100+ point swings and volatility. There seems no end in sight for the Greek debt crisis and uncertainty will reign until some refinance, restructure or default happens. The real concern is contagion and the spreading of debt laden socialistic countries with Portugal and Spain next.

US companies, who are sitting on huge piles of cash, are reluctant to spend it on employment until some certainty as to the direction in tax and health care can be established. Business hates uncertainty and uncertainty is what we have in spades at the moment.

It is apparent that the Federal Reserve appears intent on driving down the dollar to make repayments on the mountain of debt achievable. It makes US exports cheaper and imports more expensive.

But the unintended consequences of debasing the currency, is inflation. And the worst form of inflation is stagflation, which is where we appear to be headed, low to no growth coupled with high inflation.

The contagion effect of Greece and related countries, and a weak dollar may send the USA into uncharted waters. The outcome of which may not be known for a number of years.

**S Corp Strategies**

There is no doubt that I am a big promoter of S Corporations as an entity of choice for most profitable businesses.

According to a January 2010 study by the Government Accountability Office, 68 percent of S corporation returns filed for tax years 2003 and 2004 (the years data were available) misreported at least one item. Following are seven tips to help you bypass the scrutiny of an IRS audit and effectively plan and implement an efficient tax strategy for your business this year.

**1. Pay yourself "reasonable" compensation.** Become familiar with the IRS's guidance on "reasonable" compensation and keep good documents and compelling business reasons for determining your compensation. Avoid commingling of business and personal accounts. Seek advice from an experienced professional who can give you recommendations as to the allocation of your profits to reduce or minimize your tax liabilities.

**2. Update your stock basis every year.** Each year basis calculations should be updated. This is a responsibility of the taxpayer. Furthermore, it should not be automatically assumed that a shareholder has enough basis to deduct losses. Just because the K1 shows a loss does not necessarily mean the loss is deductible against other income,

**3. Keep track of your own basis.** Basis determines the limit on the amount of corporate losses that can be deducted by shareholders, determines the upper limit for the amount of tax-free distributions that can be received from the corporation, and is used to determine the gain or loss when stock of the S corporation is sold or disposed.

**4. Document all shareholder loans.** Shareholder loans should be properly documented and should bear a rate of interest that is, at a minimum, equal to the Applicable Federal Rate as published by the IRS.

**5. Be proactive if you are audited.** Review your files and seek professional advice and representation. Hire a tax professional with the proper credentials to represent you immediately. Audits may be at the federal, state, or local level and the government personnel that are assigned to them are specially trained.

**6. Maintain Corporate Minute Book.** Maintain a minute book of your actions during the year documenting loans, acquisitions, asset purchases, contracts etc

**7. Allocation to other passive Income.** We have come up with various ways of reducing the K1 to as low as practicable, through payments on 1099 MISC's as payment for royalties, interest, and guaranteed payment compensation and rent payments. All of which are contractually draw up to reduce the amount of K1 income that has to be reported on the personal return.

All such strategies require additional paperwork, supporting documentation and require a business case, but when implemented correctly, can provide significant and immediate tax savings.

While LLC's, partnerships, C Corporations and Schedule C's all have their place as an entity selection, there is no doubt that a properly formed S Corporation can generate significant tax savings and offer liability protection and flexibility. But individual situations will dictate the best choice.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,532.50	\$1,539.80	\$1,550.00	\$1,600.00
Oil	\$98.92	\$92.91	\$ 90.00	\$120.00
Dow Jones	11,951.91	12,004.36	11,900.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.10 %	9.10 %	9.10 %	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@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