

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

With the Dow closing in negative territory for the seventh week out of eight, the rest of the year looks increasing challenging.

The Greek debt crisis continues to weigh on the market and with the republications walking out of debt ceiling talks with the democrats – the US debt issues are far from resolved. While it is obvious that some compromise has to be reached, the markets hate brinksmanship and games of chicken.

The release of excess oil from the strategic petroleum reserves was able to knock a few dollars off the price of a barrel of oil, but the lasting effects will have negligible effect I believe – a drop in the proverbial bucket. Unless both China and India have significant reductions in growth prospects, oil prices will continue to rise to \$150 a barrel in the near future.

The US dollar continues to be weak hurting imports but making exports more competitive. This reversal of foreign exchange rates has resulted in companies looking strategically at their outsourcing arrangements as the cost benefit of off shoring becomes less significant.

There is little good news for those unemployed, and high unemployment rates could be structural impediments to growth and for the US to climb out of the long recession.

Innocent Spouse Relief

The IRS' innocent-spouse rule is designed to provide relief for individuals who were unaware of their spouse's tax transgressions when they signed a joint tax return. But, obtaining innocent-spouse status is difficult. The IRS receives more than 50,000 applications a year but grants less than half of them.

Some applications are denied because the taxpayer failed to file for relief within two years after receiving a collection notice. But even those who file before the deadline face many obstacles.

Taxpayers must convince the IRS that they didn't know and had no reason to know about a tax underpayment when they signed the return. The IRS will also consider whether "a reasonable person in similar circumstances" would have known of the underpayment.

Other factors the IRS will consider include your financial situation, your education and business experience, and whether you participated in the activities that led to the unpaid taxes.

The IRS may also reject an application if it believes you benefited from the dodge. For example, if your spouse failed to report lottery winnings and gave you some of the proceeds, you could be ineligible for innocent-spouse relief.

While the application for innocent-spouse status, Form 8857, looks straightforward, it's easy to make errors that could hurt your case. Many applicants are turned down because they make procedural mistakes, such as seeking relief for a year in which they didn't owe taxes. While it may be painful, providing details about domestic abuse, desertion or other marital problems will improve your chances of winning relief.

Most people who seek innocent-spouse status "aren't good storytellers," Smith says. "I think a lot more people would qualify if they filled out a Form 8857 and attached a long summary of their life."

Don't be afraid to get help. An experienced attorney or CPA can make sure you provide the necessary information on the form and file an

appeal if the IRS turns you down.

When you sign a joint tax return, you assume "joint and several liability" for the information on that return.

That means the IRS could hold you accountable for your spouse's unpaid taxes, plus penalties and interest.

While filing separately will absolve you from responsibility for your spouse's tax misdeeds, it could result in a higher tax bill. Married couples who file separately lose a lot of tax breaks, including credits for child and dependent care and the earned income tax credit. And, of course, filing separately may not be an option for a spouse who is being threatened.

Still, if you're afraid your spouse is hiding money from the IRS, filing a separate return is a prudent move.

Ask yourself these questions when deciding whether to file joint or separate returns:

- Is your spouse guarded about financial information?
- Does your spouse deny you access to the family bank account?
- Do you know how much your spouse earns each month?
- Does your spouse allow you to review and ask questions about your tax returns before you sign them?
- Does your spouse already owe the IRS money?
- Is your spouse mentally or physically abusive?

You may also want to file separate tax returns if your spouse is self-employed. Self-employed taxpayers have more opportunities to underpay their taxes than those who have taxes withheld from their paychecks.

You always have the option of filing separately, even if you filed joint tax returns in the past. However, when a married couple files separate tax returns, they must both either itemize or claim the standard deduction. If one spouse claims itemized deductions, for example, the other must also itemize, even if that spouse's deductions are less than the standard deduction.

| | Last Week | End of Week | Next Week | 12/31/2011 |
|--------------|------------|-------------|------------|------------|
| Gold | \$1,539.80 | \$1,500.90 | \$1,500.00 | \$1,600.00 |
| Oil | \$92.91 | \$91.16 | \$92.50 | \$120.00 |
| Dow Jones | 12,004.36 | 11,934.58 | 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
- 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 (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