

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The US markets see a debt ceiling increase as a done deal. The only thing that may take time to disclose is at what cost. It would appear that some changes to Social Security at this point are a given. Whether they are going to be obvious changes or structurally hidden changes remains to be seen. But the word is out, and Social Security will not be as generous as it has been.

The Republications will agree to some tax increases (revenue gains, loophole cuts, removing deductions), the language will disguise what the bottom line will be – increased federal taxes. At this point itemized deductions look the likely target. The charitable contributions will be limited, the mortgage interest will be limited and medical expenses will almost become non deductible. Look for these to be enacted by the end of the year.

The Unemployment rate rose again to 9.2%. While the risk of a double dip recession remains unlikely to depth and length of the recession has sapped the economy of the ability to stage a strong comeback. We will be mired in this low growth position for some time. While not in the position of the PIIGS, the US economy is by no means out of the woods. The last flight of the shuttle and lay off of 5,000 more experienced, well paid positions reinforces the problems ahead.

What is ahead for Social Security – Part 1

Social Security is supposed to be a security blanket for most Americans, but lately it hasn't felt all that comforting. Because of the cost-of-living formula used by the Social Security Administration, benefits recipients are not receiving an increase in 2011 for the second year in a row. And under current rules, the entire Social Security system is in danger of becoming insolvent. To avoid that, the co-chairs of a bipartisan commission on the federal deficit recently proposed raising the normal retirement age, increasing the annual limit on income that is subject to the Social Security payroll tax and other controversial changes. Meanwhile, remember that there was a big 5.8% cost-of-living increase in benefits three years ago.

However, under a proposal by the deficit commission's co-chairs, cost-of-living adjustments would become less generous starting in 2012 under a new formula. The system is expected to run a deficit by 2015, and its reserves are indeed on course to be depleted—but not until 2037. Even in the very unlikely event that the reserves are completely depleted, the system would still be able to pay around 75% of its obligations through 2084 by distributing the taxes paid into the system each year by those still in the workforce. In the 75-year history of the Social Security system, lawmakers have always waited until disaster was imminent before making changes.

In addition to changing the cost-of-living formula, the commission co-chairs made the following proposals, which the full commission had not yet voted on as of press time...

Slowly raise the normal retirement age to 68 by 2050 and to 69 by 2075... increase the early retirement age from 62 to 64... and at the same time provide a "hardship exemption" for people physically unable to work past age 62. The normal retirement age increase would affect only people born after 1960. Currently, the normal retirement age for people born in 1960 or later is 67.

Gradually raise the annual limit on income subject to the Social Security payroll tax from the current \$106,800 until it's near \$190,000.

Give retirees an option to collect half their benefits early and the other half at a later age. This would allow early retirees to draw some income from the Social Security system, perhaps to supplement income from a part-time job, while also allowing some of their benefits to continue to grow by delaying them until age 70.

Establish a new special minimum benefit to keep low-wage workers above the poverty line.

Provide a "benefit bump-up" for older retirees equal to 5% of the average benefit. The bump-up would be phased in over five years, starting 20 years after a retiree first becomes eligible for benefits.

Unless poor health or family history suggests that you are likely to pass away before age 77, you'll get more money from the system by waiting until your late 60s or age 70 to start receiving your benefits. Delaying the start of benefits until at least age 66 is attractive if you are married because it increases your partner's spousal and survivor benefits, too, by up to 8% per year.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,486.70	\$1,544.60	\$1,550.00	\$1,600.00
Oil	\$94.75	\$96.48	\$97.50	\$120.00
Dow Jones	12,582.77	12,657.20	13,000.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.20 %	9.20 %	9.20 %	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