

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The economic indicators are flashing all over the place. Unemployment looks very soft, but the Stock market is definitely on a bull tear, but for how long? The debt problems in Europe are not going away, instability in Northern Africa, and even domestically the Christmas season appears to have been weaker than expected. The US has until about May 16th 2011 to sort out the Debt Ceiling Limit, (as if \$14.3T is not enough money to run the country). Oil prices continue to spiral upward for a number of reasons, winter demand, Chinese demand, BP Alaska pipeline problems, some rebounding of the domestic economy, and a slower start up of Gulf Oil production. For every 10 cent increase in gas prices at the pump, more money is siphoned off from consumer spending, effectively a drag on the recovery, essentially a regressive additional tax.

If you want an out of the box suggestion, why not open a Yuan (the Chinese currency), denominated account in New York? For the first time the Chinese are allowing access to their seriously undervalued currency. It has little in the way of downside. It offers asset diversification, access to a strong currency, and FDIC insurance. You are limited to a maximum \$20,000 a year in deposits. www.bocusa.com

Finance and Taxes

Continuing last weeks' discussion on Audit Flags and Targets

3. Claiming large charitable deductions.

This comes up again and again because the IRS has found abuse on audit, especially with those taking larger deductions. We all know that charitable contributions are a great write-off, as well as supporting worthwhile causes. However, if your charitable deductions are disproportionately large compared to your income, it raises a red flag. That's because the IRS can tell what the average charitable donation is for a person in your tax bracket. Also, if you fail to file Form 8283 for donations over \$500, the chances of audit increase. Be sure you keep all your supporting documents, including receipts for cash and property contributions made during the year, and abide by the documentation rules.

All contributions now require a receipt and canceled check supporting the deduction.

4. Home office deduction.

The IRS is always very interested in this deduction, primarily because it has a pretty high adjustment rate on audit. This is because history has shown that many people who claim a home office don't meet all the requirements for properly taking the deduction, and others may overstate the benefit. If you qualify, you can deduct a percentage of your rent, real estate taxes, utilities, phone bills, insurance, and other costs that are properly allocated to the home office. That's a great deal. However, in order to take this write-off, the space must be used exclusively and on a regular basis as your principal place of business. That makes it difficult to claim a guest bedroom or children's playroom as a home office, even if you also use the space to conduct your work. Exclusive use means a specific area of the home is used only for trade or business, not also where the family watches TV at night. Don't be afraid to take the home-office deduction if you're otherwise entitled to it. Risk of audit should not keep you from taking legitimate deductions. If you can prove it, then use it.

Technology

BUY A LOT OF CHARGING CABLES

Why: Because you should never have a gadget's battery die on you, and they are cheap. Smartphone user? Have a charging cable at the office, one in the car, and a couple at home. Laptops? Have enough chargers in the house, so you are not tethered to the den when the power runs low. How: eBay. Search for what you need with terms like "original" or "oem" (original equipment manufacturer). You will often see accessories for as little as 1/10th their normal retail price. Buy them by the gross.

CALIBRATE YOUR HDTV Why: Because that awesome 1080p plasma or LCD TV you bought has factory settings for color, brightness, contrast and so forth that are likely to be out of whack. They need to be adjusted. How: Order [Spears and Munsil](#) High Definition Benchmark: Blu-ray Edition, a DVD, for \$25. Its regimen of tests and patterns will help you adjust your TV's settings to more natural levels. After you use it, you may want to fine-tune the TV some more, but you can do so knowing you have got the most out of your display.

www.carr.co.nz/stats

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,369.70	\$1,361.40	\$1,340.00	\$1,600.00
Oil	\$88.48	\$91.40	\$95.00	\$120.00
Dow Jones	11,674.76	11,787.38	11,800.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.40 %	9.40 %	9.40 %	9.50 %