

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

With the debt crisis coming to a head, and the Senate planning to work through the weekend, world markets remained jittery, but sanguine. Likely outcome? Congress will blink and the debt ceiling will be raised at the last moment. But no real significant meaningful change to the US fiscal house will have been achieved. The problem will be kicked down the road until next year – probably around election time. For the time being the rating agencies will leave the AAA Rating of the US unchanged, but on negative outlook.

The decision is really easy; cut or slash, spending and / or raise revenue. Raising revenues means higher taxes, or reduced levels of deductions. For a democracy, at this point in a mediocre recovery, people are going to have to agree to pay more in taxes, or accept less in services.

While a spate of arguments and articles this week indicate that American's are taxed at a lower rate than in 1950, I would disagree, that in TOTAL, taxes are much higher. While the effective tax rates may be much lower, the state, county, property, cell phone and airline charges, sales taxes, and all the user fees and licenses are significantly more now, than 50 years ago. If health care is counted as a "tax" then certainly American's are paying substantially more.

As if Congress is not boneheaded enough!

Given that the government is 4 days away from default, what does Congress do? It allows a \$30,000,000 a day tax to go uncollected. And do consumers get any benefit – no way! After 20 automatic extensions for the FAA funding, the FAA's ability to collect taxes expired last week. Did the airline pass on the savings – no they left the prices the same and pocketed the tax! Feel mad? Ripped off? Or are we just coming to accept this ineptitude?

1. Ticket taxes are similar to sales taxes. Ticket taxes are charged on the amount paid for commercial air transportation. So, when you pay for your flight, the airline tacks on mandatory ticket taxes which the airline then remits to the IRS. In other words, you, the consumer, pay the tax. Don't let the airlines make you think otherwise.

2. There are a number of ticket taxes which make up the line item that you may see as "federal taxes" when you purchase your flight. They are: 7.5% tax on the base ticket price; Domestic segment tax of \$3.70 per person per segment (a single takeoff and single landing); International travel facilities tax of \$16.30 per person for flights that begin or end in the U.S., or \$8.20 per person for a flight that begins or ends in Alaska or Hawaii; and 6.25% tax on the amount paid for transporting property by air. Other taxes and fees, such as Passenger Facility Charges (fees of up to \$4.50 charged by the airports) and excess baggage fees (those onerous carry on fees and the like are imposed by the individual airlines, not the federal government) are charged separately. And what about those fees for Homeland Security? Also not ticket taxes.

3. The moratorium on collecting ticket

taxes is a result of the Congress' failure to approve the budget for the Federal Aviation Administration (FAA). The laws authorizing ticket taxes (and other aviation-related taxes like aviation fuel taxes and aviation freight taxes) expired at midnight on Friday, July 22, 2011. However, ticket taxes aren't the only air travel related items affected by the budget freeze: 4,000 FAA employees are being furloughed and airline-related construction projects are also on hold.

4. Airlines are not currently authorized to collect the tax (in other words, it's not optional). Many airlines are keeping rates flat by increasing fares to make up for the difference. That's not illegal – even though it's annoying members of Congress.

5. If you paid for tickets on or before July 22, 2011, for travel beginning on or after July 23, 2011, you may be entitled to a refund of ticket taxes already paid. Airlines are permitted under the law to refund the tax to the passenger and the IRS has asked the airlines to provide refunds when requested.

But you and I (and the IRS) know that it's asking waaaaay to much to have the airlines do anything they don't have to do by law – heck, you can barely even get a soda on a flight anymore. So none of us have particularly high hopes that the airlines will be cooperative. That has led the IRS to announce that passengers who are not able to get a refund from the airlines can submit a claim to the IRS.

But don't run out and try to file a claim just yet: the IRS doesn't currently have any procedures in place. They're working on a plan and will announce how to file a claim as soon as they've worked out the details.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,599.60	\$1,629.00	\$1,630.00	\$1,600.00
Oil	\$99.87	\$95.86	\$95.00	\$120.00
Dow Jones	12,681.16	12,143.24	12,200.00	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