

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

While the US debt limit ceiling was raised, the market shifted attention to the weakened state of the US recovery and the continuing problems in Europe. With the US dollar collapsing, and the flight to gold and other safe havens, the world economy looked very shaky on Thursday night.

Given the higher than expected employment numbers on Friday, the Dow was able to squeak out a small gain. While the 117,000 job growth number of more than expected, to put it in perspective, the country would need to generate 220,000 new jobs every month from now until November 2012 for the jobless rate to fall to ONLY 8.0%.

While Congress patted themselves on their backs, by avoiding Debtageddon, they failed to make a decision on the FAA funding. So almost 2 weeks after letting it lapse, the US Treasury, which is broke, is for foregoing \$30,000,000 A DAY in income. This is an absurd situation, and confirms to the rest of the world how polarized and dysfunctional our government has become. Not surprisingly the airlines have pocketed the taxes, not passing on the savings to the flying public.

The focus in the next week will be on Europe and the growing contagion of the financial crisis spilling over to the 3<sup>rd</sup> largest economy in the Zone – Spain.

## IRS looks to extend Audits to 6 years.

I'll bet you think sitting on pins and needles awaiting an audit for *three years* after filing your return is bad enough. Get ready for more pins and needles: the IRS is staging a push for *six long years*. The good news is only some returns are affected. The bad news is the IRS is winning, and recently winning big.

There's a hotly debated question whether the IRS can take six years to find and audit you. The normal rule is *three years*. But if you omit 25% or more of your income, the IRS gets double time. The IRS argues that anything having the effect of a 25% understatement of gross income — like an inflated tax basis — triggers the extra three years.

Court cases are stacking up, with variation around the country depending on which U.S. appellate court circuit you're in:

CIRCUIT	RESULT
Seventh <i>Beard v. Commissioner, Federal Grapevine Imports Ltd. v. United States</i>	IRS wins and six-year statute of limitations applies
Fourth <i>Home Concrete &amp; Supply LLC v. United States</i> , Fifth <i>Burks v. United States</i> , Ninth <i>Bakersfield Energy Partners LP v. Commissioner</i>	IRS loses so is limited to three-year statute
Other	We'll see

Beware. Unfortunately, the latest development is a *big win for the IRS*, causing many in the tax world to squirm. The U.S. Court of Appeals for the Federal Circuit in *Grapevine Imports Ltd. v. United States* reversed the Court of Federal Claims, ruling that an overstatement of basis gives the IRS six years.

Significantly, the court specifically declined to follow the decision in *Salman Ranch Ltd. v. United States* because that case *predated* the IRS in issuing regulations. Why? In *Mayo Foundation for Medical Education and Research*, the U.S. Supreme Court had suggested that IRS Regulations were entitled to deference. With that recent Supreme Court admonition, that's just what the Federal Circuit did: defer.

National Taxpayer Advocate Nina Olson has said the Supreme Court gave the IRS unfettered discretion. This may be the most convincing proof that the *Mayo Foundation* case is already having a significant impact on IRS regulations and how courts regard them.

Six vs. Three? Watch for more on this. The IRS has managed to reverse a rising tide of taxpayer victories, and six years may end up sticking nationwide. The opinion in *Grapevine Imports Ltd. v. United States* is sweeping, not only supporting deference to IRS regulations, but also giving them retroactive effect.

Bottom line: get ready for more tax disputes — including ones that reach back six long years. Ensure you have backup and supporting documentation to confirm the basis in assets you sell.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,629.00	\$1,665.80	\$1,650.00	\$1,600.00
Oil	\$95.86	\$87.26	\$88.00	\$120.00
Dow Jones	12,143.24	11,444.61	11,500.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.20 %	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