

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

Well, that was a week! With the downgrade in US Debt, a yoyo session of almost 2,000 points resulted in the Dow being down 180 points. If this week didn't prove that timing the markets was for mugs, nothing will.

In addition to the wild ride on Wall Street, across the Atlantic things were not much better. London was burning as cretins ran amok and France was next in line for the Bond Bandits as they targeted the French banks.

There is no doubt that volatility is at unprecedented levels and that Globally Governments are struggling to contain the damage, or figure out how to get their economies kick started.

The Federal Reserve in the US has announced maintaining interest rates at current low levels for the foreseeable future. But the US will only come out of this situation once Growth rebounds. And growth is based on confidence and credit, both lacking at the moment.

Lack of credit is restraining job growth. The recent court decision striking down the mandated health insurance coverage, looks certain to head to the Supreme Court. But that only adds to business uncertainty and frustration at moving goal posts and unknown consequences. What is certain is that significant cuts and tax increases are on their way – sooner rather than later.

A Dozen Tax Deductions for Small Businesses (Pt 1)

1. Home office

Concerned that claiming a home office deduction is tantamount to sending an engraved invitation to an Internal Revenue Service auditor? The key is that you use the term "home office" the same way the IRS does. The tax agency says it must be a space devoted to your business and absolutely nothing else. Deducting the den that houses the family computer and serves as a guest bedroom won't fly with Uncle Sam. The burden of proof is on you. The deduction, however, isn't limited to a full room. Your home office can be part of a room. Just how much of the space is deductible? Measure your work area and divide by the square footage of your home. That percentage is the fraction of your home-related business expenses -- rent, mortgage, insurance, electricity, etc. -- that you can claim.

2. Office supplies

Even if you don't take the home office deduction, you can deduct the business supplies you buy. Hang onto those receipts, because these expenditures will offset your taxable business income.

3. Furniture

When your office supplies are more than just pens and paper, you have another tax-cutting opportunity. Office-furniture acquisitions provide a couple of choices. Deduct 100 percent of the cost in the year of the purchase, or deduct a portion of the expense over seven years, also known as depreciation.

To take the whole cost in one tax year, you'll use the Section 179 deduction (named for the part of the tax code where the law appears). Recent tax-law changes have made this deduction even more attractive.

If you choose instead to depreciate the desks and filing cabinets, you can't simply split the cost into equal portions over the depreciation period. Instead, you must use an IRS chart to make separate calculations each year.

Which is better for you? Anticipate the times that your business will need these deductions the most. Both options are reported on Form 4562.

4. Other equipment

Items such as computers, copiers, fax machines and scanners also are tax deductible. As with furniture, you can take 100 percent upfront or depreciate (this time over five years).

5. Software and subscriptions

The Section 179 provides another tax break in this area of business expenses. Off-the-shelf software a business buys can be fully expensed in the year purchased. The rules for deducting business and industry-related magazine subscriptions weren't changed. You can continue to take the total costs as a full deduction in the year spent.

6. Mileage

If you drive for business, keep a notebook in your vehicle to record the date, mileage, tolls, parking costs and the purpose of your trip. You have two choices. You can total the mileage and add in the tolls and parking to calculate your deduction. Take your mileage total, multiply it by an IRS-established rate to arrive at your deduction. For 2011 business tax purposes, the IRS allows two rates – one for Jan to June and a higher one for July to December.

Or you can measure your business usage against your personal driving and deduct that portion of your auto-related expenses.

| | Last Week | End of Week | Next Week | 12/31/2011 |
|--------------|------------|-------------|------------|------------|
| Gold | \$1,665.80 | \$1,749.10 | \$1,710.00 | \$1,600.00 |
| Oil | \$87.26 | \$85.30 | \$87.00 | \$120.00 |
| Dow Jones | 11,444.61 | 11,269.02 | 11,000.00 | 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