

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The stock market closed on a much weaker tone going into the long Labor Weekend. The European Debt crisis in Italy spilled over into Greece again, as the austerity measures required by the Union started to become more real, and politicians started balking at their implementation.

A truly horrible jobs report – none, nada, zero – new jobs were created in August 2011. The country needs to create 150,000 new jobs each month just to keep up with the changing demographics. It was the first time since World War Two that no new jobs were created. The gridlock in Washington only intensified this week when the President and Majority leader could not even agree on a day for the address to the nation on what the administration is going to do about employment, or lack thereof.

Gold rallied back to near recent highs and the stock markets could be testing more lows this week. Being Labor weekend a short week next week will only add to the volatility.

Interest rates will remain at historic lows, but if businesses cannot be convinced the rules will remain consistent and if demand for their goods remains constrained, growth is going to come slowly and with little improvement in unemployment. In addition the banks are under pressure, and so lending will be constrained for the foreseeable future.

In a year of natural disasters – tax assistance

While Hurricane Irene turned out to be milder than expected, it still caused deaths, injuries and an estimated \$5 billion to \$7 billion in property damage. In the spring we had devastating tornadoes in Missouri and widespread flooding in the Midwest. Here's what you need to know about the federal income tax implications.

Deductions for Personal Casualty Losses

Theoretically, the Internal Revenue Code allows you to claim an itemized deduction on your Form 1040 -- for personal casualty losses that are not covered by insurance. Exactly what is a casualty loss? It's when the fair market value of your property or asset is reduced or wiped out by a hurricane, flood, storm, fire, earthquake or volcanic eruption (not to mention sonic boom, theft, or vandalism).

In reality, however, many disaster victims won't qualify for any personal casualty loss write-offs because of the following two rules. First you must reduce your loss by \$100. Then you must further reduce the loss by an amount equal to 10% of your adjusted gross income (AGI) for the year. Say you incur a \$10,000 personal casualty loss this year and have AGI of \$80,000. Your write-off is a puny \$1,900 (\$10,000 - \$100 - \$8,000). You get absolutely no tax break if your loss is \$8,100 or less, and you have no chance at all if you don't itemize.

Assume you do have a 2011 deductible personal casualty loss after the two reductions. If the loss was caused by a disaster in a federally declared disaster area (more on that later), a special rule allows you to claim your rightful deduction either this year or last year.

Deductions for Business Casualty Losses

If you have disaster-related losses to business assets, you don't have to worry about the \$100 reduction rule or the 10%-of-AGI reduction rule. Instead, you can deduct the full amount of your uninsured loss as a business expense. As with personal casualty losses, you have the option of claiming 2010 deductions for 2011 losses that occur in a federally declared disaster area.

When you have insurance coverage for disaster-related property damage (such as under a homeowners, renters, or business policy), you're almost as likely to have a taxable gain as a deductible casualty loss. Why? Because if the insurance proceeds exceed the tax basis of the damaged or destroyed property, you have a taxable profit as far as the Internal Revenue Service is concerned. This is the case even when the insurance doesn't compensate you for the full pre-casualty value of the property or asset. These insurance-caused gains are called involuntary conversion gains (because your asset is suddenly converted into cash insurance proceeds without you having any say about it). If you do turn out to have an involuntary conversion gain, it must be reported on your tax return unless you: (1) make sufficient expenditures to repair or replace the property and (2) make a special tax election to defer the gain. If you make the election (you generally should), you have a taxable gain only to the extent the insurance proceeds exceed what you spend to repair or replace the property. Special favorable rules apply to involuntary conversion gains resulting from casualties in presidentially declared disaster areas

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,831.50	\$1,886.70	\$1,910.00	\$1,600.00
Oil	\$85.55	\$86.65	\$89.00	\$120.00
Dow Jones	11,284.54	11,240.26	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