

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

The big news this week obviously was the President's \$445B jobs package. As he has committed to make it revenue neutral – the deficit reduction committee has now been tasked with finding \$1.6T of savings and or tax increases. There are no easy solutions here and while some people will get \$445B of additional income, it has to be compensated by someone else paying more. The devil is in the details and with only 77 days to go before across the board cuts take effect, the clock is ticking loudly.

The weakened market on Friday, with a 300+ point decline; shows the continued volatility that we have to live with. Until Greece defaults, as it inevitably has to, and the European banks figure out the losses they need to repair, we are on a slow grind downwards.

The jobs bill the President proposed extends the 2% employee FICA adjustment, and enhanced with a reduction in the Employer FICA matching. Social Security is in trouble and reducing the amount going into the fund just exacerbates the problems. Until businesses feel that there is some certainty as to taxes and regulations they will not hire. More complex and ever changing rules, making minor adjustments around the edges is not going to turn things around. What is needed is a whole new bold approach.

## The Problem with Medicare

You paid your 1.45% of your pay check, and your employer matched 1.45% - all into the Medicare Pot and you are entitled to every penny.

Yes, you are entitled to it, but you didn't pay in anywhere near what you're going to take out.

Recent surveys show that from 60% to 80% of Americans think they're paying enough in payroll taxes to cover all their Medicare and Social Security benefits in retirement.

Yet economists Eugene Steuerle and Stephanie Rennane of the Urban Institute found that "upon retiring in 2011, [a couple earning \$89,000 a year] would have paid \$114,000 in Medicare payroll taxes during their careers. But they can expect to receive medical services — including prescriptions and hospital care — worth \$355,000, or about three times what they put in," the Washington Post reported.

Remember that medical costs, like tuition are experiencing double digit annual increases and that some estimates put medical costs in the last 6 months of life to be 80% of all costs for a person's life time.

The same couple, the researchers estimated, "will have paid \$614,000 in Social Security taxes, and can expect to collect \$555,000 in benefits. They will have paid about 10% more into the system than they are likely to get back." Of course, as more and more baby boomers retire, that's almost certain to change.

If you account for these unfunded obligations the way companies have to estimate future claims for pension benefits or retiree health-care costs, the amount we owe is staggering.

Are you sitting down? The Comeback America Initiative and USA Today

crunched the numbers somewhat differently, but they came up with the same total: \$61.6 trillion. Medicare will take the biggest bite of that — \$35.1 trillion in CAI's estimates and \$24.1 trillion by USA Today's count.

This is as radioactive as plutonium for politicians, and Democrats especially are in complete denial about it. But the failure to address entitlements was a big factor in Standard & Poor's decision to downgrade U.S. sovereign debt from AAA last month.

The total unfunded liabilities from guarantees, pensions, military entitlements, unfunded debts and promises now total more than \$114T by many estimates. This is over \$300,000 or every man, woman and child in the US.

The level of debt is truly staggering and it does appear that it is rapidly approaching a tipping point of un-sustainability. There just aren't enough people making enough money to be taxed. As the Laffer Curve demonstrates as the tax rate approaches 100%, tax income drops to zero.

The \$2.1-trillion in spending cuts Congress and the president mandated to prevent default sounds like a big number, but it's a joke compared with that \$114T trillion in long-term obligations.

"They punted on entitlement reform and they punted on comprehensive tax reform," said Walker.

According to AARP, 7,000 baby boomers turn 65 every day, "and we're just on the leading edge," said Walker.

Nothing short of a major write of the tax code will balance fairly the tax burden. When 50% of Americans pay no tax, and 5% pay 95% of the tax, we have a spending problem and or a revenue problem. Something has to give, and soon.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,886.70	\$1,861.20	\$1,900.00	\$1,600.00
Oil	\$86.65	\$87.01	\$85.00	\$120.00
Dow Jones	11,240.26	10,992.13	10,500.00	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](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 is 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