

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

Friday may have seen the turning point for the Global Economy, at least for Europe. After a year of indecision, vasilation and division a concerted effort by the major economies to provide a united front seemed to bouy the markets. Maybe sensing that it was all or nothing, and one for all, the markets have given Europe some time to prove themselves.

Meanwhile at home, the Super Committee (12 members of Congress) charged with finding \$1.5T of savings to close the budget deficit have just under 70 days to pull a rabbit out of the hat.

At this point my guess is that you will see aggressive changes in Itemized Deductions, (limitation on mortgage interest is a given and maybe even charitable donations). Corporate jets will be written off over 5 years and not 7 as a symbolic gesture. Carried interest tax rates may well not escape this time. My feeling is that the changes this year will be as profound to the tax system as those in 1986 that limited real estate deductions and passive loss activities. The budget deficit is too immense to just tinker around the edges. And, by the turn of the decade we will have a national sales tax. It is inevitable. Governments voracious appetite and peoples unwillingness to give up entitlements and benefits make it a forgone inevitability.

IRS Publishes Guidance on Cell Phone Expenses

For those of you that have assumed that just because you have a cell phone, keep copies of the invoice and the payments, that those expenses were 100% deductible, 100% of the time – it wasn't true.

The Internal Revenue Service has released guidance aimed at clarifying the tax treatment of mobile phones provided by employers to their employees.

The guidance explains a provision of last fall's Small Business Jobs Act of 2010 that removed cell phones from the definition of listed property, a category under tax law that normally requires taxpayers to perform additional recordkeeping.

IRS Notice 2011-72, issued Wednesday, provides guidance on the treatment of employer- provided cell phones as an excludible fringe benefit. According to the new guidance from the IRS, when an employer provides an employee with a cell phone primarily for non compensatory business reasons, the business and personal use of the cell phone is generally nontaxable to the employee. The IRS will not require recordkeeping of business use in order to receive this tax-free treatment.

Employers had long complained that the categorization of mobile phones as listed property required businesses and their employees to keep detailed records listing exactly which phone calls were business related and which ones were personal. Many employees needed to carry multiple cell phones just to avoid having their personal calls going to their business phone, and risk a heavy recordkeeping burden.

Simultaneously with the Notice issued Wednesday, the IRS also announced in a

memo to its examiners a similar administrative approach that applies with respect to arrangements common to small businesses that provide cash allowances and reimbursements for work-related use of personally owned cell phones.

Under this approach, employers that require employees, primarily for non compensatory business reasons, to use their personal cell phones for business purposes may treat reimbursements of the employees' expenses for reasonable cell phone coverage as nontaxable. This treatment does not apply to reimbursements of unusual or excessive expenses or to reimbursements made as a substitute for a portion of the employee's regular wages, the IRS noted.

Under the guidance issued Wednesday, in cases where employers provide cell phones to their employees or where employers reimburse their employees for the business use of their personal cell phones, tax-free treatment is available without burdensome recordkeeping requirements. The guidance does not apply to the provision of cell phones or reimbursement for cell phone use that is not primarily business related, as such arrangements are generally taxable. Details are in the memo and in Notice 2011-72, posted on IRS.gov.

For S Corporation and C Corporation clients we need to document your cell phone policy to ensure that 100% of the costs are deductible 100% of the time.

As usual the onus of proof falls on the taxpayer to maintain records and proof that the cell phones are ordinary and necessary business expenses. What is concerning from all of this is how long it has taken IRS to catch up with the real world. Scary stuff.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,861.20	\$1,814.90	\$1,850.00	\$1,600.00
Oil	\$87.01	\$87.90	\$90.00	\$120.00
Dow Jones	10,992.13	11,509.09	11,500.00	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
- 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 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