

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

Friday saw the end of a tumultuous week across Global Markets. Gold tumbled and the Dow was hammered. The markets appeared to stabilize Friday, but until the Euro financial and banking systems are resolved, we are in for a rough time. China is slowing and the US appears to be slowing down.

Counter intuitively the US dollar gained significant ground against all major currencies as investor fled any risk and looked to the US as a safe haven, inspite of Congress on Friday heading on a direct course for another Government shutdown over budgets and spending. The rancor has never been more obvious and the tone more strident than ever before.

The job outlook continues to look challenging as businesses refuse to add additional staff in uncertain times. The current 1/2 trillion dollar Jobs Bill seems stuck in Congress as it is being hammered as a Stimulus Program and not real job growth. Until the two parties start agreeing and working together with bi partisan support, we will continue to see the US mired in a weak recovery.

The Buffet Tax – a new tax on millionaires – will, like the Alternative Minimum Tax – (which in fact is a Mandatory Maximum Tax) will cause unintended consequences and will only come with more loopholes and exemptions.

Job Hunting expenses and deductions – Part 1

The tax issues affecting job seekers are numerous, with many parts of the code coming into play. They also are tricky. One key provision—the "miscellaneous deduction"—can severely limit job-hunting write-offs, while another—the "alternative minimum tax"—denies them entirely.

The first place many job-hunters look for write-offs is the miscellaneous deduction, which includes unreimbursed employee expenses and applies to the recently unemployed as well. It is the place for deducting travel, entertainment, subscriptions, business cards and other costs.

There is a problem, however. Permitted expenses are deductible only to the extent that they exceed 2% of a taxpayer's "adjusted gross income," which is income minus a few items. On a \$50,000 income, that's \$1,000.

If you have a working spouse, took an early retirement distribution, or other income. Expenses must be deducted in the year incurred, you cannot carry them over or back.

If the taxpayer falls into the alternative minimum tax situation, which was designed to tax the wealthy by limiting deductions, there isn't any write off at all. This is often a problem in high-tax states.

There's another limit, too. Job-hunting expenses can count as miscellaneous deductions only if a taxpayer is looking for work in the same occupation. That rules out write off's for students looking for a first job, or an accountant who wants to become a screenwriter.

However the rule's boundaries are fuzzy, if an engineer who managed a couple of people is looking for a pure management job, she could reasonably

claim that she was and will remain a manager. But sometimes the IRS takes a hard line.

One more caveat for job-seekers who plan to take deductions of any type: Get serious about record-keeping. The IRS is a stickler about this.

If you can please keep receipts into envelopes, and then enter them on a spreadsheet. If you are not that organized consider devoting a notebook or diary to your effort, and save receipts. Many an audit or court case has been won on the strength of good records.

A taxpayer also must hold a new job for a certain period after a move, which differs depending on whether he or she is an employee or self-employed. Of course things would not be simple in the world of taxes.

Few if any taxpayers have ever gotten away with taking deductions for work clothing (except uniforms), a briefcase, commuting costs, dry cleaning, (except while traveling), haircuts, cosmetics or cosmetic facelifts.

Unemployment and the loss of a job is a stressful time, do not add to that stress with tax moves that complicate and compound your shaky financial position. Beware of the huge penalty and taxes on early distributions from retirement accounts that can amount to 40% of the amount taken.

While there are some limited exclusions to be 10% penalty on IRA's revolving around health insurance and first time home buying, there are no such reductions from a pension plan withdrawal. Your financial institution will not offer advice and while they will offer to withhold 10% you may find it not nearly enough.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,814.90	\$1,659.90	\$1,700.00	\$1,600.00
Oil	\$87.90	\$79.96	\$80.00	\$120.00
Dow Jones	11,509.09	10,771.48	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 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