

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The Dow fell 240 points on Friday closing out the most dismal quarter of results since 2008. With nothing positive on the horizon and downgrades of countries coming at a dizzying pace, the short term outlook appears bleak. Jobs numbers for September will be out this week and look for further weakness.

The markets and the global economy are basically paralyzed. Until the Euro debt crisis is resolved, or at least has a plan – turmoil will reign.

We have heard little from the Super Committee on tax reform. This can be interpreted to mean that we will see something bold, decisive and game changing. It almost has to. What this means is a major revamp of the tax code, new sources of income and increased taxes. Entitlement programs will be modified. However nothing as draconian as has been seen in Greece where an entire welfare state has been dismantled in 12 months that took ½ a century to create. What it means for the average American will be more complexity, additional record keeping, more intrusive government regulations and less spending power.

A quick one question, online survey starts this week. Click the link below and tell me “Yes” or “No” – “I will be better off financially at the end of 2011 than I am now”.

<http://tinyurl.com/3kxyf4s>
(Takes 15 seconds and is anonymous , results next week)

Job Hunting expenses and deductions – Part 2

Part of leaving a job is figuring out which of a variety of new income sources—severance pay, unemployment, income from investments—is subject to tax.

Severance pay is taxable, as is accumulated vacation or sick pay, but the former employer is supposed to withhold federal and state taxes. Unemployment pay also is taxable. (Part of it wasn't in 2009, but the provision lapsed.)

Withholding for unemployment isn't automatic, however, and many taxpayers forget this fact.

Those whose income drops significantly also may be newly eligible for "refundable" credits such as the Earned Income Credit or the Additional Child Credit, which provide a refund even if tax isn't owed.

If your former employer pays employment- and outplacement-agency fees, they don't count as income to you. If you pay these expenses, they count as miscellaneous deductions.

- Investments. There's good news for people who are between jobs and tap investment funds. Those with taxable incomes of less than \$34,500 for single filers or \$69,000 for joint filers pay no tax on long-term capital gains or qualified dividends.

- Retirement plans. Many ex-employees make tax-free rollovers of their 401(k) plans into an individual retirement account after they leave a company.

- Medical expenses. This is a crucial issue for many. Unreimbursed medical expenses (which include insurance premiums) are deductible only for those who itemize, and only to the extent that they exceed 7.5% of adjusted gross income (or 10% if you are subject to alternative minimum tax). With income low, it may be easier than usual to get over this high hurdle.

For taxpayers who set up a Schedule-C business, health-insurance premiums may be fully deductible

- Home offices. Deductions for a home office, including supplies and equipment such as a computer, may get a better break if taken on Schedule C, whereas they will be limited if they qualify as miscellaneous expenses.

To be deductible, a home office usually must be used exclusively and regularly as a principal place of business. Appropriate services and supplies—business cards, resume preparation, cell phone, professional fees—for the business or the job hunt are often deductible as well.

- Travel and entertainment. Finding work, permanent or part-time, often requires prospecting near and far. As with home offices, qualified travel and entertainment deductions often get a better break on Schedule C. The rules are fuzzy, but job seekers who want to deduct travel would do well to spend more than half their time looking for work while they are traveling

For drivers, the IRS allows 55.5 cents per business mile, or else actual costs such as depreciation, gasoline and maintenance.

What about meals and entertainment? The allowed deduction starts with 50% of their cost, and you should keep excellent records—say, a short note as to what was discussed—in case IRS agents come calling. For more, see IRS Publication 463.

- Education. Would more education help a job search? For those without a college degree, the most useful tax break is likely to be the American Opportunity Tax Credit, which can be claimed even if you don't have income. Also the Lifetime Learning Credit and the so-called Tuition and Fees deduction, may be available to you.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,659.90	\$1,622.30	\$1,700.00	\$1,600.00
Oil	\$79.96	\$77.51	\$76.00	\$120.00
Dow Jones	10,771.48	10,913.38	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
- 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