

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The big business news this week was the death after a long battle with cancer of Steve Job. As someone that started their business some 35 years ago with an Apple II and Visicalc, you cannot be less than humbled by his incredible achievements.

With the Dow Jones 30 up for the week, you would be forgiven for thinking that the markets were recovering. But the same old problems have yet to be substantially addressed.

The Jobs report this week was not encouraging, showing anemic if any job growth.

The European's have not been able to separate their fortunes from the Greek Tragedy that is a train wreck in slow motion. The first major European bank (Dexia) appears to be on the edge of being broken up and taking the dubious distinction of being the first of presumably a number of large banks to fail or be bailed out by the European Central Bank.

The Jobs bill and related "Tax the Millionaires" proposal are working their way to votes in Congress that will see raw politics play out in the coming weeks.

This weeks' question is, "Will Greece Default on its debts" – click the link below.

<http://tinyurl.com/4yfxv9r>
(Takes 15 seconds and is anonymous, results next week)

Last week 50% of respondents said they would be better off at the end of the year than they are now.

Tax Deductions with some of the biggest payouts

A \$5,000 or \$6,000 deduction for IRA contributions, a \$4,000 deduction for college tuition and fees, a \$1,000 child tax credit — these are hefty tax breaks for which a taxpayer may understandably yearn. But they're small beans when compared with the tens of thousands of dollars in savings some reap through deductions and credits.

How about taking a \$50,000 deduction for state and local taxes paid, a \$37,000 deduction for medical expenses, a \$28,000 deduction for mortgage interest, or a \$21,000 deduction for charitable contributions?

Those are the average amounts claimed for each of those deductions in 2008 by taxpayers with adjusted gross income higher than \$250,000. (The average dollar amounts are rounded, and count only those taxpayers who claimed that particular deduction.)

Some tax breaks basically don't have any limit. For example, to take the medical-expense deduction your expenses must exceed 7.5% of your adjusted gross income.

For taxpayers with adjusted gross income of \$30,000 to \$50,000 in 2008, the average deduction for state and local taxes was about \$3,800; for medical expenses, \$6,000; mortgage interest, \$9,000; charitable contributions, \$2,200.

For taxpayers with AGI of \$50,000 to \$100,000, the average deduction for state and local taxes was about \$6,000; medical expenses, \$7,000; mortgage interest, \$10,600; charitable contributions, \$2,700.

The mortgage-interest deduction is limited by the value of your home — generally speaking, you can claim it for interest paid on mortgage indebtedness up

to \$1 million, plus another \$100,000 of home-equity debt.

Meanwhile, some credits don't have an upper limit. The residential energy-efficient property credit for installing solar, wind or geothermal systems is worth 30% of the amount spent — whatever that amount is. But don't confuse that credit with the one for home energy-efficient upgrades, such as new windows and doors. That credit was worth up to \$1,500 in 2010 but lawmakers reduced it for 2011, in the Tax Relief Act passed in December.

Other credits have a top limit, but it's hefty: The adoption tax credit is worth up to \$13,170 in 2010, up from \$12,150, and it's now refundable.

Taxpayers may enjoy the bounty, but these deductions and credits — plus other tax breaks that never show up on our returns, including those we get through 401(k), Roth IRA and 529 plans — all add up to a lot of money the U.S. government is not collecting.

Adding up all the tax expenditure estimates in the 2010 federal budget, a sum of about \$1.1 trillion in fiscal year 2012, or about 6.7% of projected gross domestic product makes for a lot of tax breaks.

Our tax system is such that for 2010 more than 45% of American households will pay no income tax, because of the combination of credits and deductions. For instance, recent IRS statistics showed that about 2,000 people with income of \$1 million or more don't pay income tax.

A part of it is that money is earned overseas and is subject to foreign taxes; a part of it is they have a lot of money in tax-exempt bonds so they don't pay tax on that income.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,622.30	\$1,635.80	\$1,700.00	\$1,600.00
Oil	\$77.51	\$82.98	\$85.00	\$120.00
Dow Jones	10,913.38	11,103.12	10,900.00	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