

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

A busy week on the international front with the end of a 42 year reign of a tyrant in Libya, can Syria be far behind?

Europe inched closer to a “comprehensive solution” to the Greece Debt issue – but fissures in the Euro Zone only intensified as the basic financial distortions from the more productive North to the less productive southern countries.

US job growth and weak housing is not going to get better any time soon. This is a slow and painful recovery that could take a decade to repair the damage from the GFC.

The stock market recovered on Friday to end up 1% for the week – but it was more based on the lack of more bad information that any actual constructive positive news.

The secretive Gang of 12 charged with coming up with \$1.2T of savings and tax increases has not made much of their deliberations public – but the clock is ticking and only a month remains for them to come up with the most sweeping reforms of the US Tax Code in 25 years.

By the end of November we will have a clearer indication of where we stand with tax rates.

This weeks’ question is, “Will Mitt Romney be the GOP candidate for President?” – click the link below.

<http://tinyurl.com/6dlqqdg>
(Takes 15 seconds and is anonymous, results next week)

Last week equal numbers agreed with the proposal and opposed it!

Hiring Your Children in your business.

Can you pay your children to do office copying, collating, general help? As with many things to do with taxes – maybe – it is a facts and circumstances test.

Many small business owners dream of having their children join the family business. One of the best ways to make this dream come true is to get them involved at an early age. And, in addition to valuable work experience for your children, this situation can provide significant tax savings to your business

This hiring strategy works particularly well both if the business is unincorporated or incorporated and the children are under age 18. For the unincorporated business, business is not required to withhold FICA taxes (Social Security and Medicare) or federal unemployment taxes, This means your business incurs no payroll taxes for your children and they get to keep more of what they earn, but if your business is incorporated (LLC, C or S) it is required to.

The first rule to remember is that the work performed must be necessary to the business. Whether you’re paying the child to wash the company car or take a shipment to the post office, if it would be reasonable to pay someone else to perform this task, you can pay your child to do it. Just be sure the job reflects the child’s age and ability. E.g. you might pay your 17-year-old computer whiz to do HTML programming for the company’s Web site, but assigning the same complex task to your 8-year-old may attract the IRS’s

scrutiny.
The rate you pay your child must be

reasonable and consistent with what you would pay an outsider to do the same work. Also, be sure to pay your child with a check on a regular basis. To an IRS auditor, one large payment made at the end of the year may look more like an attempt to cut your tax bill than a legitimate effort to employ your offspring.

In general, treat the family member just as you would any other employee. This may mean your son or daughter punches a time clock, fills in a timesheet, or attends training classes like other employees.

Finally, keep good records. In case of an audit, you should be prepared to document the work that has been done and demonstrate that the amount you paid your child was reasonable.

For 2011, a child can earn almost \$5,000 in earned income with negligible tax liability. (They would file a tax return and claim standard deduction and be claimed on parents return). A Roth IRA, particularly if your offspring may need to tap the account early, say for college or a first home. There will be no tax bill and no penalties if it’s withdrawn early for IRS-allowable expenses. The long-term tax advantages of Roth IRAs are usually better for younger savers since all withdrawals after age 59 ½ are tax-free.

Hiring your children can help them learn not only responsibility and career skills, but also valuable money management lessons. The fact that working for you will allow them to keep more of their paycheck will be an incentive to do a good job and a great opportunity to understand taxes.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,681.80	\$1,655.80	\$1,700.00	\$1,600.00
Oil	\$87.28	\$88.48	\$90.00	\$120.00
Dow Jones	11,644.49	11,808.79	12,000.00	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