

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

One would be given to think that the end of the world has arrived. Just as you think Greece is on the road to recovery, they manage to do the unexpected and head the country right off the cliff. With more twists and turns than an Agatha Christi novel, the Greek prime minister was able to confound the entire Euro Group with brinksmanship that even a Russian Roulette Player would balk at.

Back home in the US IPO fever hit new highs that saw Groupon launch with a 40% gain on listing for the meagre 6% of the shares issue that were placed. This is for a company valued at \$20B that has yet to show a profit, has no break even date, relies on significant growth to fund the shortfall, has a low barrier to entry, has hundreds of copy cat competitors, employs questionable accounting terms, and year of year growth slowed in the periods leading up to its IPO. Watch this space – in 6 months, Groupon will be down 25% from the listing price.

The jobs report can only be described as tepid. While not going backwards there is no doubt that the creation machine is locked in slow gear. Unemployment benefits are running out, and there appears to be little in the way of meaningful growth opportunities coming down the path. We may be in for another Japanese style “Lost Decade”.

## Year End Tax Planning – Part 1

With year-end rapidly approaching, it's time to consider making some moves that will cut your tax bill.

Before acting on any of these recommendations, be sure to gauge your 2012 income expectations. Moves you make this year may affect next year's taxes.

### Game the Standard Deduction

If your total annual itemized deductions are usually close to the standard deduction amount, consider the strategy of bunching together expenditures for itemized deduction items every other year, starting with this year. Itemize in alternating years to deduct more than the standard deduction. Then claim the standard deduction in the other years. Over time, this drill can save hundreds or even thousands in taxes by increasing your cumulative write-offs. That's because you'll bag higher itemized deductions in alternating years and relatively generous standard deductions in the other years. So regardless of what happens with tax rates, you'll come out ahead.

For 2011, the standard deduction is \$11,600 for married joint-filing couples, \$5,800 for singles, and \$8,500 for heads of households. For next year, the standard deduction amounts will be \$11,900, \$5,950, and \$8,700 respectively.

### Prepay Deductible Expenditures If You Itemize

If you itemize deductions, accelerating some deductible expenditures into this year to produce higher 2011 write-offs makes sense if you expect to be in the same or lower tax bracket next year.

Perhaps the easiest deductible expense to prepay is the interest included in house payments due on January 1. Accelerating that payment into this year will give you 13 month's worth of deductible interest in 2011. You can do the same with a vacation home. If you prepay this year, you'll have to continue the policy for next year and beyond. Otherwise, you'll have only 11 month's worth of interest in the first year you stop. Next up on the prepayment menu are state and local income and property taxes that are not actually due until early next year. Next, consider prepaying expenses that are subject to limits based on your adjusted gross income (AGI). The two prime candidates are uninsured medical expenses and miscellaneous itemized deductions. Medical costs are deductible only to the extent they exceed 7.5% of AGI. Miscellaneous deductions--for investment expenses, job-hunting expenses, fees for tax preparation and advice, job hunting, and unreimbursed employee business expenses--count only to the extent they exceed 2% of AGI. If you can bunch these kinds of expenditures into a single calendar year (like this year), you'll have a fighting chance of clearing the AGI hurdles and getting some tax-saving write-offs.

Warning: The prepayment drill may be a bad idea if you know you'll owe the dreaded alternative minimum tax (AMT) for this year. That's because write-offs for state and local income and property taxes are completely disallowed under the AMT rules, medical expenses must exceed 10% of AGI to be deductible for AMT purposes, and miscellaneous itemized deductions are completely disallowed under the AMT rules, therefore, prepaying these expenses may do little or no tax-saving good for AMT

|              | Last Week  | End of Week | Next Week  | 12/31/2011 |
|--------------|------------|-------------|------------|------------|
| Gold         | \$1,743.50 | \$1,755.30  | \$1,800.00 | \$1,600.00 |
| Oil          | \$93.49    | \$94.42     | \$95.00    | \$120.00   |
| Dow Jones    | 12,231.11  | 11,983.24   | 12,300.00  | 12,250.00  |
| Prime Rate   | 3.25 %     | 3.25 %      | 3.25 %     | 4.00 %     |
| Unemployment | 9.00 %     | 9.00 %      | 9.00 %     | 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](http://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](http://www.allmymedicalrecords.com)
- Charitable donations. Maintain your charitable deductions during the year at [www.allmydeductions.com](http://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