

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

As I have been warning for the past few months – in three days the Day of Reckoning for the \$1.2T Super Commission will be here. What will happen? Here is my best guess. They will blink, kick the can down the road, play smoke and mirrors and delay the inevitable hard decisions.

They will make some changes, but will force some of the fixed budget cuts across the board. It will prove that the division between the parties continues to widen and that the difference between more taxes and less government cuts divides the country. The markets will not like the indecision, and with 12 months to the next election, the stock market will be a volatile place to be.

While there are signs of a recovery, “green shoots”, however there are still significant head winds against growth in 2012 with Europe teetering on falling back into a recession and the Chinese economy starting to slow significantly.

We are 6 weeks away from the end of the year, with a lot of economic data still to come in with respect to GDP growth and employment. It is obvious that politics will have an outsized impact on the economy until taxes and spending are finalized, that could take until the elections next year.

But all eyes this week are on the Super Committee.

Year End Tax Planning – Part 3

Set Up Loved Ones to Pay 0% Tax Rate on Investment Income

For 2011, the federal income tax rate on long-term capital gains and qualified dividends is 0% for gains and dividends that fall inside the 10% or 15% rate brackets.

While your tax bracket may be too high to take advantage of the 0% rate, you probably have loved ones or family members who are in the bottom two brackets.

Consider giving these folks appreciated stock or mutual fund shares. They can sell the shares and 0% tax on the resulting long-term gains.

Remember: their gains will be long-term as long as your ownership period plus the gift recipient's ownership period equals at least a year and a day. Giving away dividend-paying stocks that pay dividends is another tax-smart idea.

As long as the dividends fall within the gift recipient's 10% or 15% rate bracket, they will qualify for the 0% federal income tax rate. However be aware that if you give away assets worth over \$13,000 during 2011 to an individual gift recipient, it will cut into your \$5 million unified federal gift and estate tax exemption (\$5.12 million for 2012).

However, you and your spouse can together give away up to \$26,000 without any adverse effects on your respective exemptions.

Warning: If your gift recipient is under age 24, the dreaded [Kiddie Tax](#) rules could potentially cause some of his or her capital gains and dividends to be taxed at the parent's higher rates. That would defeat the purpose.

Convert Traditional IRA into Roth IRA

The best scenario for this strategy is when: (1) your traditional IRA is (or was) loaded with equities and got shellacked by the 2008 stock market meltdown and/or this year's stock market volatility and (2) you expect to be in the same or higher tax bracket during retirement. If your traditional IRA is worth substantially less than it once was, the tax hit from converting it into a Roth account is also substantially less. That's because a Roth conversion is treated as a taxable liquidation of your traditional IRA followed by a non-deductible contribution to the new Roth account. After the conversion, all the income and gains that accumulate in the Roth account, and all withdrawals, will be federal-income-tax-free, assuming you meet the requirements for tax-free withdrawals.

So you avoid having pay high tax rates on withdrawals taken during your retirement years. As was the case last year, there is no longer any income restriction on Roth conversions. Even billionaires can do them!

Warning: The special deal for 2010 conversions that allowed you to spread the resulting taxable income over two years (50% in 2011 and the remaining 50% in 2012) is not available for 2011 conversions. You must report all the conversion income on your 2011 return. So if you did a conversion last year and are considering doing another one this year, remember that you would have a double helping of conversion income on this year's return.

That could push you into a higher tax bracket and make the idea of a 2011 conversion less attractive.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,789.00	\$1,726.00	\$1,750.00	\$1,600.00
Oil	\$99.22	\$97.79	\$100.00	\$120.00
Dow Jones	12,153.68	11,796.16	11,500.00	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
- 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