

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

Europe continues to careen towards the abyss. Interest rates on Euro government debt soared to almost unsustainable levels and more countries have had their debt downgraded to essentially junk status. As events move faster and leave the politicians with fewer options, the real possibility of countries leaving the Euro is roiling global markets.

At some point, attention will come back to focus on the US budget deficit and the likely tax increases and spending cuts that are now not going to be able to be deferred after 2013.

There are small signs that businesses are adjusting to the changed credit environment. While unemployment is not coming down, things are not getting worse. Who would have thought that the status quo would be seen as positive?

China is showing signs of a hard economic landing rather than the soft landing that was hoped. The next 3 months will tell how severe the slowing global market impacts China. The world economy has been reasonably resilient – but if China slows then all bets will be off. The world has become interdependent economically and with the good consequences come the tough ones. On top of this add the instability in North Africa and another dictator being rolled this week in Yemen. Challenging times indeed!

## Year End Tax Planning – Part 4

### Donate Appreciated Stock to Charity; Sell Losers and Donate Cash

If by some miracle, you have appreciated stock shares (meaning they're currently worth more than you paid for them) that you've owned for more than a year, consider donating them to IRS-approved charities. You can generally claim an itemized charitable contribution deduction for the full market value at the time of the donation and avoid any capital gains tax hit. On the other hand, don't donate loser stocks. Sell them, book the resulting capital loss, and give away the cash sales proceeds. That way, you can generally write off the full amount of the cash donation while keeping the tax-saving capital loss for yourself.

**Warning:** You must itemize deductions to gain any tax-saving benefit from charitable donations, unless you make them out of IRAs.

### Make Charitable Donations Out of Your IRA

Congress restored a provision that allows you to make up to \$100,000 in charitable cash donations directly out of your IRA for 2011--if you'll be age 70 or older by year-end. Such direct-from-IRA donations are called qualified charitable distributions, or QCDs. Donations made in this fashion don't directly affect your tax bill, because QCDs are tax-free and no deductions are allowed for them. However, QCDs count as withdrawals for purposes of meeting the required minimum distribution (RMD) rules that apply to traditional IRAs. Therefore, taxes can be avoided by arranging for tax-free QCDs in place of taxable RMDs, and this advantage is available whether you itemize deductions or not. If your spouse

owns IRAs and is over age 70, he or she is entitled to a separate \$100,000 QCD for 2011.

### Business strategies

If you run a business you have some further opportunities to manage your end of year taxes. The biggest misconception is that buying inventory will reduce profits – in fact it has no impact on profit as it just moves assets from the bank account to inventory.

But what you can do is go through your inventory and check for obsolete, broken, damaged, lost, stolen, missing items and adjust your inventory accordingly.

You have to be aware of “constructive receipt” of funds. If you get a check in the first week in December, IRS expects you to include that in your current year income.

But what you can do is take advantage of the 100% expensing provisions of Section 179 and write off new business equipment. If you need computers, office equipment or technology, or hardware, take advantage of end of year sales and buy before the end of the year. Even if you charge the item on a credit card you are able to deduct the expense as a cash basis taxpayer.

You can stock up on office supplies, prepay January expenses, property taxes, insurance, bonus' and double up on recurring expenses to reduce your current years' tax liabilities.

It appears certain that tax rates are going up in the very near future and so the usual strategy of delaying income, and pushing it into the future, may not be the most effective financial strategy given such income may be taxed at higher rates.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,726.00	\$1,680.30	\$1,700.00	\$1,600.00
Oil	\$97.79	\$97.32	\$100.00	\$120.00
Dow Jones	12,796.16	11,231.78	11,000.00	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