

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

With two weeks left in this year, it would seem that the world is in a much more perilous state than this time last year. The Euro Zone is piecing together plans and policies that while good on paper have not been implemented.

The requirement for one central budgeting authority sounds very reasonable. But tell that to the unemployed in Spain or the businesses now burdened with additional taxes and fees in Greece, and the retired getting 30% less than earlier in the year.

It is getting deeply ingrained and entrenched positions changed in the short window of opportunity that is going to be challenging for these governments and its citizens.

There is no doubt that the realization that the US has to close the budget deficit will result in higher taxes. With the end of the year so close, it seems unlikely with the entrenched positions that a compromise will be reached. At stake is the 2% FICA reduction that all self employed and wage earners have benefited from for the past 2 years. The \$400 / \$800 Credit for Making Work Pay was not renewed and expired at the end of 2010. But it did show up as a tax reduction on page 2 of most tax returns.

Leaving decisions to the last minute just puts more pressure on an over burdened IRS and results in poorer performance.

## Mileage Rates for 2012 Set

The IRS raised the standard mileage rate, which is used to deduct the cost of business-related driving, in an unusual midyear move back in June — and that elevated rate will stay in place for 2012, the IRS said Friday.

The standard rate for deducting the cost of miles driven for work will be 55.5 cents a mile in 2012, the same as it's been for the last six months of 2011. But the rate for deducting miles related to driving for medical or moving purposes dropped by 5 cents, to 23 cents per mile for 2012, from 23.5 for the second half of 2011.

For the first six months of 2011, the business rate was 51 cents a mile and the moving and medical rate was 19 cents.

The rate for driving related to charitable work is unchanged, at 14 cents. That rate is set by Congress and rarely changes.

Higher gas prices prompted the IRS's midyear hike to the mileage rate in 2011. These days, a gallon of regular unleaded gas costs about \$3.29 on average nationwide, up from \$2.98 a year ago, though that varies widely by state, according to a daily report from AAA, the travel group.

The highest average price recorded by AAA for regular unleaded was \$4.11, on July 17, 2008. See the fuel gauge report, including average prices by state, on the AAA site.

Taxpayers can choose to keep track of their precise expenses to deduct those for business-related driving, or they can use the standard mileage rate when calculating their business cost.

The standard mileage deduction is limited to companies using four or fewer vehicles. Still, for larger companies, the IRS standard mileage figure is widely used as a benchmark to set reimbursement

rates for workers' driving expenses.

Also, the IRS said, taxpayers are not allowed to use the standard business rate for a vehicle "after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle."

To determine the mileage rate, the IRS hires an independent researcher to analyze driving costs, including fuel prices, car maintenance and registration. The business rate is based on fixed and variable costs, while the rate used for medical or moving purposes is based on variable expenses alone, the IRS said. The study was conducted by Runzheimer International.

For many taxpayers, the standard mileage rate is easier to calculate, but actual expenses may net higher deductions, but at considerable additional record keeping and complexity. To use the actual expenses you have to maintain log books and be able to substantiate that your business use is greater than 50%. In the actual mileage scenario all you need is to justify the miles claimed.

If you have a business, one way to handle the mileage costs is to invoice the company on a regular basis for the business miles driven, weekly or even quarterly.

In additional, if your business is not seasonal, and if you keep detailed and accurate records for 3 – 4 months you are able to extrapolate those results for the year. For example, if you run a sales route, or a delivery service, and you have regular schedules, you would be able to support your mileage deductions with a minimum of hassle and time consuming document and receipt storage and filing.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,749.10	\$1,714.909	\$1,800.00	\$1,600.00
Oil	\$101.13	\$99.83	\$105.00	\$120.00
Dow Jones	12,019.42	12,184.26	12,200.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	8.60 %	8.60 %	8.60 %	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