

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The US markets ended on a down note as the latest euphoria over Europe's latest attempts to resolve its' debt crisis floundered.

The US avoided ANOTHER government shutdown in the waning hours of this week, with more smoke and mirrors. Did you even know there was a potential shut down?

As the presidential election season heats up, the posturing and positioning will only intensify and difference between taxing and spending will only intensify.

It appears that the payroll tax cut of 2% of FICA will be extended for two more months. If you are STILL doing your payroll by hand, now is the time to give it up. It is just going to get way too complicated to manage all the different tax rates, timing and limits.

Zynga, for those out of the loop, was the largest IPO since Google this week – it sells online games through Facebook, and it listed this week and promptly fell 5%. Groupon – the last Internet darling dropped back to near its listing price, after a 40% first day romp. Maybe the romance is over Internet companies is subsiding?

Debt continues to be the problem globally and until the "deleveraging" occurs growth will be constrained, interest rates will remain low and unemployment will stay stubbornly high.

Taxation of Annuities

While you must always look beyond the verbiage and read the fine print, avoiding taxes legally is something everyone can appreciate. One of the most attractive features of an annuity is tax-deferred growth, meaning as long as the money stays in your annuity account, you will not have to pay taxes on the earnings. It is important to understand however that tax-deferred does not mean tax exempt!

You will eventually have to pay taxes on your annuity, however the amount and schedule depend on the type of annuity, as well as some other key factors. As many people have less income in their retirement years, when they do start to receive money from their annuity they may be in a lower tax bracket than during their working years when they made the contributions.

Before we get into specifics, we should also state that there is 10% tax penalty on distributions (payouts) from an annuity when the payment is made before annuity holder is 59 1/2.

Tax Differences Between Deferred And Immediate Annuities

A deferred annuity grows untaxed during the time in which you are paying into it.

Once you are ready to receive payments, you have the option of taking it as one large sum, however most people elect to receive a series of scheduled payments that occur over a specific period of time instead. This process is commonly referred to as "annuitization", and converts your Deferred Annuity into an Immediate Annuity. When properly handled, this conversion is not a taxable event.

Deferred Annuity Taxes

Taxes are paid only on the profits portion of the lump sum. You do not pay taxes on the dollar amount that you paid into the the annuity. This profit is considered ordinary

income, and is taxed based on the specific income tax rates effective in the year of distribution.

Immediate Annuity Taxes

Taxes on an Immediate Annuity work differently, as part of each payment is considered the return of a previously taxed principal (your initial investment), while the other part is considered earnings. While you will not pay taxes on the portion of the payment which is considered the return of your initial investment, you will pay taxes on the part which is considered earnings.

Figuring Out Taxes on Variable or Indexed, Immediate Annuities

Paying taxes on immediate annuities is calculated a little differently. With a variable or Indexed annuity, it is impossible to know what the annuity payment will be each month, as the market value of your account will fluctuate depending on your investment choices and market conditions.

In order to determine the taxable amount, your investment is divided by the distribution period you expect to receive annuity payments. For example, assume your initial investment was \$50,000, and the annuity is to make a payment for 10 years. The investment (\$50,000), divided by the distribution term (120 months), comes to roughly \$417 per month. This is the amount that cannot be taxed, any earnings beyond this would be declared and taxed as income for that year.

Figuring Out Taxes on Fixed, Immediate Annuities

You figure out taxes for a fixed immediate annuity the same way that you would for a variable Immediate annuity. The difference is the taxable and non-taxable amount of the payment will be consistent, as your distribution remains consistent month to month.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,714.90	\$1,601.50	\$1,700.00	\$1,600.00
Oil	\$99.83	\$93.78	\$100.00	\$120.00
Dow Jones	12,184.26	11,866.39	12,000.00	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
- 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