

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

Markets were up on the week, but down Friday when upbeat jobs numbers and a reduction in the unemployment rates shows the US economy is slowly improving.

After 3 years of relentless downbeat news it seems that the media is willing to seize on any news that can be spun in a positive manner.

The coming months will see how strong the recovery actually is. There are huge battles over ideology in the US Congress – they haven't been able to craft a bipartisan forward looking plan in the past 10 years.

What is needed is a comprehensive overhaul of the tax system, and reduction in spending and entitlement programs. The country cannot cash the checks that it has written and time is running out to fix things before the country reaches a tipping point from which it cannot recover.

The recent example of extending the FICA reduction for two months is proof that the system is broken and needs fundamental overall.

The new reporting requirements of stocks and credit card purchases, and the new reporting required from American living abroad only supports the view that the IRS is on the war path to raise revenues. More technology means the Service has the ability to be much more intrusive, without you even knowing.

New for 2011 returns

The filing season for 2011 returns brings fewer surprises than some, but taxpayers should be aware of a clutch of important changes. First electronic returns can be filed next Friday January 13th, 2012.

April 17.

This year's filing due date is Tuesday, April 17. That's because the 15th is a Sunday, and a District of Columbia holiday falls on the 16th this year. The due date to file returns for automatic six-month extensions is Monday, Oct. 15.

Cost-basis reporting.

2011 was the first year of mandatory cost-basis reporting by brokers (explained above), and it kicked in for sales of stock bought in 2011 in taxable accounts.

The cost basis of shares bought in 2011 but not sold won't be reported to the IRS until the shares are sold, and the basis of shares sold in 2011 but bought in earlier years needn't be reported.

All this has generated a new form and a blizzard of paperwork for taxpayers. If brokers report erroneous basis information on a 1099 form, taxpayers should correct it before filing a return, says Sharon Kreider, a CPA in Sunnyvale, Calif.

There's a place on the form for adjustments to correct broker errors, but "taxpayers who use it are inviting an audit," she warns. She advises getting a corrected 1099 form, if possible, from the broker before filing.

Foreign-account reporting.

Many taxpayers with foreign financial accounts will owe the IRS a new form with

their 2011 tax returns, in addition to the Foreign Bank Account Report due to the Treasury Department on June 30.

Form 8938, popularly known as the FATCA form, springs from the Foreign Account Tax Compliance Act passed by Congress in 2010 to combat offshore tax evasion. The IRS released the form and instructions late in 2011.

The filing thresholds vary, ranging from \$50,000 in total foreign financial assets (for U.S.-based taxpayers) to \$400,000 for U.S. taxpayers filing jointly who live abroad.

Reportable assets include not only bank and brokerage accounts but also retirement accounts, hedge funds and private-equity funds based offshore. For more details, see the instructions to Form 8938 at www.irs.gov.

As with the Foreign Bank Account Report, the civil penalties for not filing Form 8938 are severe, including up to \$10,000 for every 30 days a taxpayer doesn't file. Criminal penalties may also apply.

Schedule C small-business issues.

Small businesses that are reported on Schedule C of individual tax returns, which run the gamut from retail stores to lawyers and consultants, face changes this year designed to deter cheating.

Two back-to-back questions ask if the owner is required to file 1099 forms, and if so, "did you or will you file" them?

The point: to remind owners they are supposed to issue such forms to vendors providing \$600 or more in services.

For business owners who answer "no" and are proved wrong later, says Ms. Kreider, it becomes easier for the IRS to assess a penalty of up to \$500 per violation

	Last Week	End of Week	Next Week	12/31/2012
Gold	\$1,567.00	\$1,615.90	\$1,650.00	\$1,950.00
Oil	\$99.06	\$101.28	\$105.00	\$120.00
Dow Jones	12,217.56	12,359.92	12,300.00	12,000.00
Prime Rate	3.25 %	3.25 %	3.25 %	3.25 %
Unemployment	8.60 %	8.50 %	8.60 %	8.30 %



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