

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

The markets could well start up this week with the passage of the Greek austerity measures. But given the deep cuts in social spending, minimum wage cuts and tax increases, the riots in the streets could be the beginning of more problems as the depths of the problems in Europe fail to be resolved.

Global growth suffered another setback with the announcement of Japan's continuing contraction in their economy.

The new power of social media was shown again last week with the confrontation between Planned Parenthood and Susan G. Komen foundation. This comes on the heels of Bank of America backing down to the uproar over \$5 debit card fees and Verizon walking back a \$2 fee for people wanting to pay their cell phone bill online via credit cards. But where was the outrage when airlines adopted check-in bag fees, checked luggage fees and hotels started the \$15 "resort fees"?

Oil prices remain high with prices coming into the Summer driving months likely to be at all time highs this summer.

While Mitt Romney lost 3 contests last week in the Mid-West he bounced back with close wins in caucus'. Gingrich seems to be falling behind, while he will go all the way to the convention, he will not be the Republican Nominee for November's election.

Just when flying couldn't get more miserable

The tax treatment of frequent-flier miles is at center stage following the disclosure that thousands of Citibank customers received notices in January that miles they received for opening new accounts last year produced taxable income. Citi sent the affected customers "1099-Misc" forms, which tell taxpayers that income is being reported to the Internal Revenue Service. Recipients should include that income on their 2011 tax returns—or risk getting a letter from the IRS.

Some customers are furious. "The tax issue was only hinted at in the offer," says Keith Sipos, a retired music teacher in San Diego who received a 1099 with \$750 of income for 30,000 miles. "When I asked to have the miles rescinded, Citibank said I should have asked by the end of 2011. But I didn't know about the tax until I got the form." Why such hairsplitting distinctions, if the miles themselves are similar? Because that is how the tax system works: If you receive \$100, the tax varies according to whether it is a gift from a friend, wages from employment, dividends from a stock or a reimbursement of expenses by your employer. The issues surrounding frequent-flier miles are a perfect example of how complex the income-tax law can be concerning everyday transactions for virtually every American.

With frequent-flier miles, the issue of taxability often comes down to whether the miles were awarded as a rebate (not taxable), a promotion (taxable) or a prize (taxable). In tax theory, rebates are treated

as a reduction of the purchase price, which isn't taxable. But promotions and prizes count as income.

Much remains unclear, however, because the IRS hasn't issued definitive rulings on many aspects of frequent-flier miles.

Miles awarded by the airlines in return for flying with them. These are almost certainly a nontaxable rebate, says Melissa Labant of the American Institute of CPAs.

Miles awarded in connection with credit-card use. These also appear to qualify as a nontaxable rebate, the experts said. In its statements about the recent flap, Citibank said, "Rewards and airline miles provided in connection with a purchase on a credit card are routinely not subject to individual income-tax reporting."

Miles awarded in connection with business travel. In 2002, the IRS said it didn't consider such miles taxable and that if it changes its mind, the new rules will apply only in the future. The agency hasn't addressed the matter since.

Miles awarded as a promotion for opening an account, such as a bank account. Such miles are taxable, according to the IRS. Responding to queries about the Citibank accounts, an IRS spokesman said, "When frequent-flier miles are provided as a premium for opening a financial account, it can be a taxable situation subject to reporting under current law."

And you wonder why American's are exasperated at the tax system?

	Last Week	End of Week	Next Week	12/31/2012
Gold	\$1,740.30	\$1,730.60	\$1,700.00	\$1,950.00
Oil	\$97.84	\$99.58	\$100.00	\$120.00
Dow Jones	12,862.23	12,862.23	12,800.00	12,000.00
Prime Rate	3.25 %	3.25 %	3.25 %	3.25 %
Unemployment	8.30 %	8.30 %	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 2011 tax year in 2012:

- 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