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Absolutes

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Our Mission Statement

To Provide Tax and Business Consulting Services that Drive Innovative Wealth Building Solutions

What The Deficit Reduction Plan Means For Taxes

A New Proposal

There have been numerous proposals and plans talked about in the media regarding changes to taxes within the US. As always, we keep a close eye on tax talk and try to provide a general update on the most visited ideas. Earlier this month, President Obama released his Deficit Reduction Plan. Included in this plan is a myriad of different changes taxpayers would see if it goes into effect. Below are just a few highlights we've chosen to focus on.

Income Tax Modifications

Beginning in 2013, the tax rates would increase for individuals earning greater than \$200,000 (for individuals) and \$250,000 (for married couples). The plan would change the tax rates for the top two rates to 36 and 39.6 percent.

The Buffett Rule

A new concept, crafted by Warren Buffett and dubbed "The Buffet Rule" would go into effect for high earners. Any household earning more than \$1 million annually would have to pay more of their share in taxes than that of a middle-class household. Details of this rule have not been constructed but the overall concept is something the president considers to be at the forefront of this plan.

IRS Enforcement

The IRS would see an increase in funding for its operations. This includes the agency devoting more efforts to collecting past due taxes and more.

Specific items talked about include greater authority issuing levies, deferring federal tax refunds to individuals who may still be responsible for taxes at the state level and allowing agents to contact delinquent taxpayers on their cell phones.

Payroll Tax

This year we've focused on payroll taxes in a number of our issues. This specific tax has been in constant focus throughout 2011. A 3.1 percentage reduction in Social Security tax for employees would go into effect in 2012. The same reduction would be true for employers and their payroll tax. Payroll tax provisions continue to be talked about in most of the plans that have been proposed. The final ruling on it and what will change with it will likely be seen in the coming months.

A Tax To Travel

One small, yet interesting tax that caught our eye was the proposed airline tax included in the deficit reduction plan. The goal of the airline tax would be to cover a portion of the deficit throughout the next decade. A \$5.00 per flight tax would be instituted to every traveling passenger. This small tax shows the willingness of lawmakers to try and reach new areas to cover its growing deficit issue. A portion of the fee would also go towards greater airline security.

These tax proposals will continue to be discussed as Congress and the Senate decide whether the President's proposal will go into effect and what will be modified before it is finalized.

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Special Tax Relief

This summer we witnessed extreme drought, violent storms and federally declared disaster areas. Read below to find out information regarding special tax relief as a result of these disasters.

Hurricane Irene

Certain residents in Connecticut, Massachusetts, New Hampshire, Pennsylvania, Vermont, North Carolina, New Jersey and New York who suffered loss from Hurricane Irene earlier this year are expected to receive some leniency from the IRS.

The agency is granting an extended deadline for those taxpayers who qualify for assistance until October 31, 2011 to file their taxes. To qualify for this extended deadline, taxpayers must either live in or operate a business that is located in the counties declared a disaster area by the president.

This new deadline affects those businesses who were planning on submitting their returns and estimated tax payments on September 15th. It also includes individuals who were planning on filing their returns on October 17th.

Texas Wildfires

More than one dozen counties in Texas were declared federal disaster areas as a result of the raging wildfires that continued to spread across the state. Similar relief for those affected by Hurricane Irene will be given to those individuals and businesses located in these designated counties. This special relief applies to corporations and individuals filing their extended returns.

More Details To Come

For a complete list of the counties, dates and details regarding tax relief due to these disasters, please visit the IRS website.

Limited Liability Partnerships

Each year, a Texas limited liability partnership must renew its registration with the Secretary of State. This registration lasts one year and the renewal form must be submitted before its expiration. Otherwise, the entity will need to submit a new application form.

The Secretary of State's office will typically send a reminder letter to the principal office address of the partnership. However, they are not required send a notice prior to the expiration date. A friendly reminder will be sent from our office to ensure this registration does not lapse. For questions regarding this annual renewal, please call our office at (713) 341-2740.

Why Do You Need A Will?

Estate planning is a valuable and important step to take when preparing for the future. Our attorneys can help you plan ahead and create a plan suitable for you and your needs.

Having a will prepared by a professional is just one important step in an individual's overall estate planning process. A will provides for the orderly distribution of an estate upon death. It allows you to see that your wishes are respected and carried out.

Each will prepared is unique and sees to it that your requests are well-documented and protected. Whether

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Wills

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your estate is complex or straightforward, it's important to have a written will. This will allows for your estate and loved ones to be properly taken care of. A will is an important item to have to protect your wishes and those of your family. Not having a will could result in unnecessary burdens that loved ones will be left to handle.

In addition to preparing a will, it's just as important to prepare written documentation of how you should be cared for, should you need an alternate person to make health decisions on your behalf. Creating a will and establishing a plan for your entire estate does not have to be a difficult or uncomfortable process.

This estate planning process is done so respectfully in regards to you and your wishes.

If you would like to speak with one of our attorneys regarding your will and overall estate planning process, please call our office at (713) 341-2740.

New IRS Program for Voluntary Re-Classification of Independent Contractors as Employees

Gene McCain, an attorney for the firm specializing in tax controversy matters, examines one of the new initiatives launched by the IRS to encourage employers to come forward who may have purposefully misclassified workers to avoid taxes.

The IRS has announced a new program for voluntarily re-classifying independent contractors as employees. Why would a company want to do this? After all, if someone is an independent contractor, there is no payroll tax withholding, no matching Social Security to pay, no State and federal unemployment tax, and the new health care law does not apply to these people, so a company would not have to worry about complying with the upcoming health insurance requirements that have been making the news for the past year or so. In addition, filing 1099s is much easier than complying with the various reporting forms required by the federal government and the States.

The answer is that the law says that certain people should be treated as employees, and the penalties for not doing so can be harsh. If someone was improperly classified, the State, the federal Department of labor and the IRS all have various remedies available to them. These include not only having to pay the taxes that the agencies determine after the fact that should have been paid over the past number of years, but also severe penalties for paying late, filing late and depositing late, together with interest on the taxes and the penalties. In some cases, the owners and officers can be held personally liable, despite what corporate and other business entity structures may be in place. Also, government agencies typically share information with one another, so that if a company gets audited by one agency, it may be hearing from another in the near future.

There is a long list of factors that government agencies use to determine whether individuals should be

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classified as employees or independent contractors. These include whether the individuals set their own hours, bring their own tools, can and does work for others, advertise, and the amount of training and supervision given to these persons. However, most of these factors boil down to how much control is exercised over how the person does his or her job.

If a company has individuals working for them that really should be treated as employees, the IRS has established a program to come clean, without the risk of the audit implications. Details of the program may be found at IRS Announcement 2011-64. The company submits an application and pays 10% of the tax that would have been due for the past year, which would be between 1% and 2% of the amounts that would have been paid as wages. There are no penalties or interest added to this number. The employer must agree to continue treating these individuals as employees. For the following three years, the employer also has to agree to a six-year time period after each tax year during which the IRS can do an audit if they choose, instead of the usual three-year time period.

If a company has people working for them who should be properly re-classified as employees instead of independent contractors, this program could be a good opportunity to do the right thing and begin treating them as employees.

Written by Associate Attorney, Gene McCain

September's Featured Staff Member

Sarah Ware, the internal controller and administrative officer manager for the firm, is this month's featured staff member. She provides tax support, administrative services, human resources support and project support for LRC. She graduated from the University of Houston–Downtown Business College with a B.A. in Business Management and a minor in Human Resources.

Sarah is a vital asset to the firm, overseeing invoicing, payroll, technology, handling human resources and more.

Please join us in congratulating Sarah as an exemplary member of our firm.



Sarah Ware

How can our team of professionals help you or your business? We specialize in the following services:

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Business Acquisition
Personal Tax Preparation

Probate
Wills & Powers of Attorney
Business Succession Planning
Family Limited Partnerships
Commercial Mortgages
Tax Controversy
Corporate Tax Preparation

Tax & Estate Planning
Business Control
Business Organizations
Trusts
Asset/Debt Restructuring
Estate & Gift Tax Preparation
Partnership Tax Preparation