Example of research paper on memorandum

Economics, Money

RE:

FACTS:

Carla is an engineer working for Synder Corporation, and she travels a lot for business purposes. The last business trip was to Indianapolis where she lost her emerald bracelet in a hotel room where she had been accommodated. The bracelet was lost in a mysterious way in that Carla was sure that she had packed the bracelet and saw it in the jewelry box as she was unpacking her clothes on her arrival at the hotel on Sunday afternoon. She found out that the bracelet was missing in the morning of the next day and reported to the hotel security of her loss. As she said, she noticed that there were other two cases in the past month of stolen jewelry from other people who had visited the hotel. Carla could not find the bracelet on her return home. The jewelry was worth $ 5, 000. Despite the cost, Carla had not insured the bracelet. ISSUE: The following are some questions asked about Carla's tax deduction case: 1. Is she entitled to a casualty on theft loss? 2. What amount is she allowed to deduct on her income tax for the loss of the bracelet if she is entitled to a casualty? CONCLUSIONS1) The fact that other hotel guests had jewelry stolen did not prove that Carla's bracelet was stolen. 2) Theft deduction was not allowed for the bracelet since Carla saw it in her luggage at the hotel upon arrival that shows that she might have misplaced it herself. According to the court, Carla case could not go through because there was not enough proof that the bracelet was stolen. It is because Carla saw the bracelet as she unpacked in the hotel room upon her arrival at Indianapolis that indicates that she might have misplaced the bracelet herself. Most crucially, there was no instance where the report stated unusual incident such as damage or broken in the room. In addition, there was no any other item that was reported to be stolen from a hotel room and could not have other lost properties to itemize for her tax deduction. The fact of presence other cases reported on stolen jewelry was not good enough to show that Carla's bracelet was stolen. The reports also indicate that theft is not unusual case. The bracelet was also given to Carla by her grandmother hence Carla might have documents to prove ownership of the bracelet. The court advised Carla that in case of such a situation in the future, she should present enough evidence to show the need for deduction. ANALYSISBottom lineThe internal revenue service (IRS) gives little casualty and theft loss allowances from tax disbursements as a means of compensation for people who have been victims of theft or natural calamities. However, federal income tax return does not compensate for items that are under insurance unless an individual files a claim in time for compensation and decrease by the extent of any repayment or predictable reimbursement. Casualty is defined by the law as destruction of properties triggered by any recognizable happenings which are abrupt, unanticipated or infrequent such as fire, and volcanic activity which may lead to earthquakes and landslide with damaging of properties. On the other hand, theft is seen as an act of taking away valuable possessions or cash from someone who owns them with a criminal intention. The act must be illegal on the basis of the laws of the state where theft has taken place. Theft is, therefore, a crime. Casualty lossA casualty loss is tax deductible if the taxpayer can meet the criteria that tests sudden- event loss. It involves the following: i. The event must have taken place as a result of abrupt and unforeseen take of events. ii. It should be that the event is a one-time occurrence such accidents involving loss of properties. Theft lossFor a case to be licensed as a theft case for tax deduction purposes, the event of loss must have taken place illegally on the basis of the laws of the state (Weltman 359). A person can take a deduction when his/her loss is from criminal activities such as raid, extortion or break-ins. In order for a theft loss to be deductible, the taxpayer must prove that the loss was due to burglary. A mere suspicion of theft cannot be appealed. For instance, a person cannot just wake up one morning and miss his or her property in the house and claim it to be stolen. The item can still be within the house for being misplaced if there is not any sign of the house being broken into such as the case with Carla’s lost bracelet. Conventional proof of theft may include statements from eye witness who saw the property being taken away by a suspicious person, police file reports and newspaper accounts of the robbery. Proving for theft deductionFor a person to prove the need for deduction in tax payment, he or she must maintain taking a deduction. Therefore, he or she should be able to explain or demonstrate: v When he or she noticed that he property was missingv That the possessions was stolen and not being lost through misplacementv That he or she is the owner of the property being claimedv Any cash that was paid or anticipated compensation as a reimbursement for the loss such as an insurance payment. If a person qualifies a theft deduction, he/she requires calculating the fair market value of the item that has been stolen or make some adjustments on the basis of the property that is lower. For example in the problem about Carla’s bracelet, it can be taken as the depreciated value of the bracelet. The cost for buying an already used bracelet of the same quality as the stolen one and not the cost of buying a new bracelet. A person can only deduct the cost of buying used items in the same state which is usually less than $ 4, 500. Mislaid and lost propertyPossessions that have been misplaced and lost cannot be said to have been stolen, and they are not tax-deductible items. However, if the loss was due to any unexpected, sudden or uncommon event, the loss may succeed to receive a casualty loss. Calculating reimbursement and filling theft lossesFor any theft loss to be deductible, the taxpayer must be able to list out items of deductions. If it is impossible, the loss not claimable. Another condition that need require that; the cost must exceed $500 in order to meet the 10% adjusted gross income (AGI) limitation. In calculations involving reimbursement, an individual has to subtract any compensation received from the insurance company. If the value of the item was more than $ 200, he/she can consider the extra value of the commodity in his/her calculations and sum up the unreimbursed losses from the theft and subtract $100. If a person has a casualty or theft losses on several items, he/she is expected to take away $100 from the compensation of the loss of each item (Weltman 617). Afterward, a 10% of his/her adjustable gross income (AGI) is subtracted from the unreimbursed losses that took place during the same period. A great loss qualifies a person to get a write-off for the tax deduction.