



Davis & Associates, Accountants, Inc

2010 Tax Planner Newsletter

January 1, 2010

Volume 5, Number 1

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From the Desk of Jennifer Davis:

Thank you for allowing us another year to serve your accounting, business advising, and tax compilation needs. We appreciate your continued business and the many referrals that you have sent to us this year !

Updating Your Database

Please make sure that you have correct contact information for us:

Physical Address: 9520 Ironbridge Road, **LOWER LEVEL**, Chesterfield 23832 - **please do not send mail to this address.**

UPS/FEDX: 9520 Ironbridge Road, Lower Level, Chesterfield VA 23832

US Mail: PO Box 2149, Midlothian, VA 23113

Phone: 804.425.5523 / 804.715.8830 **Fax:** 888-361-6540

Upcoming Educational Events

Please contact Vanessa Evans at vevans@davisaccountants.com for updates on our regularly scheduled seminars and speaking engagements.

January 2010 Events include:

Richmond RING Real Estate Professionals Tax Update – January 14th:
Richmond Association of Realtors 7:00 pm

Learn How to Keep More of What You Make in 2010 – January 26th:
Richmond Small Business Success Panel.

2010 Tax Update Seminar – January 31st: Henrico Mini-Symposium

Upcoming Networking / Social Events

Our 2009 Monthly Networking Happy Hours / Client Appreciation Happy Hours were such an incredible success that we are continuing them in 2010. Please join us at our new location: Café Caturra in Midlothian. These functions are always held the **3rd Thursday of each month beginning at 5:30 pm**. If you wish to be included on the invitation list for these events please notify Vanessa at vevans@davisaccountants.com

IRS Notices and Audit Letters

Congress and the IRS have identified a considerable Tax Gap (the difference

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- "Recognizing Employees During Tough Economic Times" by Stan Gisriel

between tax revenues that are actually received and what Congress and The Service deem as what should have actually been received). In an effort to close this Tax Gap the Service has implemented new automated matching systems that are resulting in millions of audit and deficiency letters being issued. Should you received a notice or audit letter from the IRS it is imperative that you fax the letters and notices to us immediately. Many of the letters issued are actually reversed or forgiven once we provide the information they are requesting.

Verification of Tax Identification Numbers

As an added service to our W-2 Wage Paying and 1099 employers we can now offer Tax Payer Identification Number matching with the Social Security Administration. If you don't receive a copy of a social security card with a completed I-9 or W-4 we can verify Taxpayer Identification Numbers. Please understand that this is a verification service only....we are NOT able to look up a SSN or TIN by taxpayer name. For legal purposes we do require that you engage our firm to complete your W-2's and 1099's to take advantage of this service.

Tax Organizers and Engagement Letters

We will again be sending tax organizers to all clients. If we have completed your tax return for a previous year please be on the look out for this organizer via E Mail. If you are a new client we ask that you complete the organizer that you receive from your previous accountant for submission to our office. ***If you do not receive an organizer from either us, or your previous accountant, please reference our website, www.davisaccountants.com. We have a downloadable version of our organizer available.***

Effective immediately we will be issuing Engagement Letters to all clients. Our professional liability insurance carrier, as well as IRS Circular 230, now requires that we retain current Engagement Letters for ALL clients. Additionally, we will now be requiring full payment for all services provided upon completion. Please be prepared to pay your invoice in full before we release your 2009 tax packages for filing.

Our Newest Staff Members

Vanessa Evans: We are pleased to have added Vanessa as Executive Assistant to Jennifer Davis and Jamie Drake. Vanessa will be the smiling face and voice that greets you and books your appointments.

Stephanie Meszaros: We are delighted to welcome Stephanie as our REO Client Communication Liaison.

High School Interns: Help us welcome Tori and Kyle, students at Clover Hill High School, to our staff. As they help us with our everyday office tasks we hope that we can provide them with valuable office skills that will last them a lifetime. Tori is the sister to Allison, our Longwood College Intern.

Submitting Your Tax Documentation To Us

You can get us your organizer and tax documentation the following ways:

1. We are booking in office appointments on Tuesday, Wednesday, Thursday, and Saturday from January 16 - April 30th this year. Please call as soon as possible to book your appointment. Our Saturday appointments typically fill by February 15th and by March 15th we are booked solid through April 15th. Call our office at 804-

- "Foreclosure or Short Sale?" by Sherry Beran
- "High Deductible Health Plans and Health Savings Accounts" by Wiley Long, provided by Brian T. Crocker
- "ROTH IRA Conversion" by Jim Bade
- "Strategies to Help Keep Overhead Expenses in Check", by Lycia Rettig

Contact Us

PO BOX 2149

Midlothian, VA 23113

PH: 804.425.5523

PH: 804.715.8830

FX: 888.361.6540

info@davisaccountants.com

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Important Dates

Jan 5: We begin taking tax appointments

Jan 15: W-2 / 1099 wage info due to our offices

Employment Tax Deposit due date

Jan 31: Last day to mail

W-2's and 1099's

941 / 940 due

State of VA Employment

Tax due

VEC Tax Due

Feb 4: Office is closed

425-5523 to book your appointment.

2. You can scan and PDF file your organizer and documentation to us at vevans@davisaccountants.com. We are anticipating completion time at 5-7 days this year. This means 5-7 days after we receive ALL information from you.

3. You can secure fax your organizer and documentation to 888-361-6540.

We look forward to catching up with you over the next four months ! If you have any questions, need to schedule an appointment, need an organizer, or need a list of tax documentation that we'll need to complete your tax package please email us at vevans@Davisaccountants.com or via phone at 804-425-5523. Again, Happy New Year ! I hope that 2010 brings you continued success and happiness !

Warm Regards,

Jennifer L. Davis, EA, ATA, ATP

2010 Tax Filing Deadlines !!!!

| | |
|---|------------------|
| W-2's and 1099's | January 31, 2010 |
| We must have wage records no later than | January 15, 2010 |
| County Personal Property Tax and | |
| Business License Renewal Applications due | March 1, 2010 |
| Federal 1040's and all schedules | April 15, 2010 |
| State of Virginia | May 1, 2010 |
| S Corporation Returns and S Corp LLC's | March 15, 2010 |
| Partnerships and Partnership LLC's | April 15, 2010 |

New Tax Laws for 2009-2010

2009 Vehicle Mileage Rates:

| | |
|-------------------|-----------------|
| Business Usage: | 55 cents / mile |
| Medical / Moving: | 24 cents / mile |
| Charitable: | 14 cents / mile |

2010 Vehicle Mileage Rates:

| | |
|-------------------|-------------------|
| Business Usage: | 50 cents / mile |
| Medical / Moving: | 18.5 cents / mile |
| Charitable: | 14 cents / mile |

*** Please remember that if you are deducting a vehicle or taking a mileage deduction for a vehicle you MUST keep a mileage log. A mileage log will show date, odometer in, odometer out, and mileage purpose. The mileage method is allowed for owned or leased vehicles. The vehicle may not be used for hire (limo or taxi), five or more vehicles may not be used at the same time (fleet), and the vehicle can not have been depreciated by the taxpayer in a previous year. **We have a mileage log template available for download on our website.**

Vehicle expenses that are allowed for deduction in ADDITION to the per mile

Feb 5: We begin E-filing
Feb 15: Federal Employment Tax Due
Feb 20: State Employment Tax Due
March 1: County personal property tax and business license renewal applications are due
March 15: S Corp and LLC / S Corp returns due
Federal Employment Tax Due Date
March 30: Virginia Employment Tax Due
VEC Tax Due
April 15: 1040's due
Federal Employment Tax Due
Last day to contribute to Traditional IRA for 2006
April 30: 941 Due
State Employment Tax Due
VEC Tax Due
May 1: State of VA Taxes due

method:

Business parking and tolls (does NOT include fees to park at the taxpayers regular place of employment)

State and Local Personal Property Taxes

Interest on Auto Loan (for Sole Proprietors)

2009 Unemployment Compensation Exclusion

The 2009 American Recovery and Reinvestment Act Section 1007 and IRC Section 85 provides that in tax years beginning 2009 up to \$2400 in Unemployment Compensation can be excluded from income. This applies to all taxpayers receiving Unemployment Compensation regardless of Gross Income. As of December 2009 this exclusion has NOT been extended to 2010.

Deduction of State Sales Tax on New Vehicle Purchases

The American Recovery and Reinvestment Act Section 1008 and IRC 56, 63, and 164 provide that taxpayers who utilize Itemized Deduction method may deduct the State Sales Tax paid on purchases of new qualified motor vehicles with a purchase price of up to \$49,500. A qualified vehicle will have a gross vehicle weight of less than 8,500 pounds, the vehicle must be for use and not for resale, and the state sales tax must be itemized on the invoice. The credit is only available to owners of BRAND NEW vehicles with MAGI under \$250,000 (MFJ) and \$125,000 (Single, HH, MFS). The deduction is PER VEHICLE; therefore taxpayers who purchase multiple vehicles can take advantage of this deduction for each vehicle. More limitations may apply.

Homebuyer Tax Credits

FIRST TIME HOMEBUYER CREDIT

First time homebuyers in 2009, or those who have not owned a house in three years, are eligible for a \$ 8000 First Time Homebuyer credit. Taxpayers apply for this credit when filing their 2009 Form 1040. This credit is a REFUNDABLE credit, meaning that it will increase your refund by the full \$ 8000 or reduce your tax liability by \$ 8000 dollar for dollar. Unlike the 2008 credit, this one does not need to be repaid.

Not all taxpayers will be eligible for the entire \$ 8000 Tax Credit – there are income phase outs and the credit is the greater of \$ 8,000 or 10% of purchase price. Closing date on purchase must have been before July 1, 2010 and the contract must be written and accepted no later than May 1, 2010.

If the taxpayer sells the home in less than 36 months, or ceases to use it as a primary residence in that same time period, partial repayment of the credit will be required.

REPLACEMENT HOME CREDIT

Married filing joint taxpayers that have owned their PRIMARY RESIDENCE for 5 consecutive years in the current 8 year look back period, and have used the house as a primary residence, can receive a credit of up to \$ 6,500 toward the purchase of a new Primary Residence. The credit phases out with MFJ taxpayers with income between \$ 225,000 and \$ 245,000. The replacement home must be purchased for less than \$800,000.

Mortgage Insurance Premiums Deduction

Again in 2009 and 2010 Mortgage Insurance Premiums may be deductible for taxpayers with Adjusted Gross Income less than \$110,000 (or \$55,000 for Married Filing Separately).

Employers: Are you eligible for the Work Opportunity Credit ?

Employers may be eligible to claim the Work Opportunity Credit for first year wages paid to certain employees. Employees that qualify you for this credit:

- An employee that has been on long term family assistance and hired after December 31, 2006
- A recipient of assistance under the Temporary Assistance for Needy Families Program
- A disabled Veteran
- An ex-felon
- A high-risk youth (age 18-24) who lives in an empowerment zone, enterprise community, or renewal community
- A vocational rehabilitation referral
- A summer youth employee (age 16 or 17) who lives in an empowerment zone, enterprise community, or renewal community
- A food stamps recipient
- A supplemental security income recipient
- A Hurricane Katrina employee

IRS Form 8850 has to be completed by the employee before they begin working for the business and needs to be submitted no later than 21 days after the individual begins work. The credit is only applicable to the first year wages paid and the employee must work for the employer claiming the credit more than 120 hours per year. This credit can be very generous. Please call our office if you believe that you are an employer hiring individuals that could qualify.

Cancellation of Debt Income

In these times of economic downturn we have seen an increase in the number of taxpayers declaring bankruptcy, becoming insolvent, and negotiating below market value loan pay offs. Please be advised that you MAY have a tax burden on the value of the debt cancellation that was charged off. This especially applies to real estate investors that have had rental properties foreclosed on them.

2009-2010 AMT Exemption Amounts

| Filing Status | AMT Exemption Amount | |
|----------------------|----------------------|------------------|
| Married Filing Joint | \$ 70,950 (2009) | \$ 45,000 (2010) |
| Single | \$ 46,700 (2009) | \$ 33,750 (2010) |
| Head of Household | Same | Same |
| Married Filing Sep | \$ 35,475 (2009) | \$ 22,500 (2010) |

2009-2010 Standard Deduction

2009

Married Filing Jointly and Qualified Widow(er): \$ 11,400

Head of Household: \$ 8,300

Single and Married Filing Sep: \$ 5,700

Personal and Dependant Deduction: \$ 3,650

2010

Married Filing Jointly and Qualified Widow(er): \$ 11,400

Head of Household: \$ 8,400

Single and Married Filing Sep: \$ 5,700

Personal and Dependant Deduction: \$ 3,650

Itemized Deduction Phase Out

Married Filing Separately \$ 83,400

All other Filing Status \$ 166,800

2010 Phase Out Rates have not been released at this time.

2009 Tax Brackets

| | 10% | 15% | 25% | 28% | 33% | 35% |
|-------------|------|----------|----------|-----------|-----------|-----------|
| Single | \$ 0 | \$8,350 | \$33,950 | \$82,250 | \$171,550 | \$372,950 |
| MFJ / QW | \$ 0 | \$16,700 | \$67,900 | \$137,050 | \$208,850 | \$372,950 |
| MFS | \$ 0 | \$8,350 | \$33,950 | \$68,525 | \$104,425 | \$186,475 |

| | | | | | | |
|----|------|----------|----------|-----------|-----------|-----------|
| HH | \$ 0 | \$11,950 | \$45,500 | \$117,450 | \$190,200 | \$372,950 |
|----|------|----------|----------|-----------|-----------|-----------|

2010 Tax Brackets

| | 10% | 15% | 25% | 28% | 33% | 35% |
|------------|------|----------|----------|-----------|-----------|-----------|
| Single | \$ 0 | \$8,375 | \$34,000 | \$82,400 | \$171,850 | \$373,650 |
| MFJ /QW | \$ 0 | \$16,700 | \$68,000 | \$137,300 | \$209,250 | \$373,650 |
| MFS | \$ 0 | \$8,375 | \$34,000 | \$68,650 | \$104,625 | \$186,825 |
| HH | \$ 0 | \$11,950 | \$45,500 | \$117,650 | \$190,550 | \$373,650 |

County Business Personal Property Tax and Business License Renewal Applications:

Small business owners and sole proprietors please remember that your county personal property tax and business license renewal applications are due MARCH 1. You should receive the necessary paperwork in the mail from your county of business location by the end of January. Since this is not a Federal or State tax matter we do not automatically file this return for you. We are more than happy to complete these returns for you, however, you **MUST** notify us of your intent to engage us in this tax matter and supply us with the forms provided to you by the county. Thank you for your consideration in this matter.

ANY business that has \$10,000 or more in GROSS RECEIPTS will be REQUIRED to file a County Business Personal Property Tax Return in Virginia as well as a County Business License Tax Form. Realtors are an exception.

Residential Energy Property Building Improvements Credit

For 2009 and 2010 taxpayers can claim non-business energy property credits for energy efficient home improvements made to their principal residence. The credit is 30% of the cost (limit of \$1,500) for installing:

- * Insulation that reduces heat loss or gain
- * Energy Efficient exterior windows, doors, and skylights
- * Energy Efficient Water Heaters
- * Biomass stoves
- * Metal and asphalt roofs that reduce heat gain
- * Electric Heat pumps and water heaters
- * Geothermal Heat Pump
- * Central Air Conditioner

The manufacturer of the product that you purchase will verify that the product is eligible for this credit. You **MUST** have actual receipts, not credit card bills or bank statements, to prove the credit.

Retirement Plan Limitatons for 2009 - 2010

Traditional IRA contributions are limited to \$5,000 for taxpayers under 50 and \$6,000 for taxpayers over 50 for 2009 & 2010. For taxpayers covered by an employer sponsored retirement plan phase out is:

| | |
|----------------------------|------------------------|
| Single / Head of Household | \$ 55,000 - \$ 65,000 |
| Married Filing Joint | \$ 89,000 - \$ 109,000 |
| Married Filing Separately | \$ 10,000 |

For spouses of taxpayers covered by an employer sponsored retirement plan phase out is:

| | |
|---------------------------|------------------------|
| Married Filing Joint | \$ 166,000 - \$176,000 |
| Married Filing Separately | \$ 10,000 |

ROTH IRA contributions are limited to \$5,000 (\$6,000 over age 50) or taxable compensation, whichever is less. Nonworking spouse contributions are allowed. ROTH IRA phase outs are as follows:

| | |
|----------------------------|-------------------------|
| Single / Head of Household | \$ 105,000 - \$ 120,000 |
| Married Filing Joint | \$ 166,000 - \$ 176,000 |
| Married Filing Separately | \$ 0 - \$ 10,000 |

SEP IRA's are for eligible Self Employed Individuals, including Sole Proprietorships, S Corps, LLC's, and Partnerships. The allowable contribution is 25% of business gross income up to \$ 47,000 for 2009 & 2010.

Health Care Savings Plans Contribution Limits

Archer MSA Limits:

Self Only Contribution Limits:

Minimum 2009 Contribution \$ 2,000 2010: \$ 2,000

Maximum 2009 Contribution \$ 3,000 2010: \$ 3,000

Maximum Annual Out of Pocket other than premiums: \$4,000 2010: \$4,050

Family Coverage Limits:

Minimum Annual Deductible: \$ 4,000 2010: \$ 4050

Maximum Annual Deductible: \$ 6,050 2010: \$ 6,050

Maximum Annual Out of Pocket other than premiums: \$7,350 2010: \$7,400

HSA (Health Savings Accounts)

For those taxpayers 55 and older contributions can be increased by \$ 1,000 for both 2009 and 2010.

Self Only Coverage:

Minimum Annual Deductible: \$ 1,150 2010: \$ 1,200

Maximum Annual Out of Pocket: \$ 5,800 2010: \$ 5,900

Maximum Monthly Contributions is 1/12 of annual deductible

Family Coverage Limits:

Minimum Annual Deductible: \$ 2,300 2010: \$ 2,400

Maximum Annual Out of Pocket Expenses: \$ 11,600 2010: \$ 11,900

Maximum Monthly Contributions is 1/12 of annual deductible.

New Roth IRA Tax Provisions

Starting in 2010, taxpayers can convert traditional IRAs to ROTH IRAs regardless of income. Before 2010, only individuals with modified adjusted gross income of \$100,000 or less could convert traditional IRAs to Roth IRAs. While there will be no penalties for conversion please keep in mind that the amount that you convert will still be added to income increasing Adjusted Gross Income and Taxable Income. Ordinary income tax at both the Federal and State levels will be assessed.

Direct Deposit Of Tax Refunds into an IRA

Starting in 2007 taxpayers can now have a portion of their FEDERAL income tax refund directly deposited into an IRA account. Why the excitement over this new provision ? Taxpayers can now file their tax returns showing a 2008 deductible IRA contribution and apply their 2008 refund to the deductible IRA amount. Remember that all prior year deductible IRA contributions must be made prior to the due date of the tax return without extensions (April 15th).

Example: Sally Smith files her 2008 tax return on February 15, 2009. On her tax return she shows a deductible 2008 IRA contribution of \$1200 however she has not yet made the contribution of \$1200 and does not have the cash to do so. She is due a Federal refund of \$2000. She elects to have \$1200 of this refund direct deposited into her traditional IRA account for 2008 and \$800 into her personal money market.

***** Possible Problem:** If you intend to take advantage of this provision you will need to file your 2009 tax return NO LATER than March 30. The tax refund deposit MUST be made prior to April 15, 2010 with NO extension. Also, if there are IRS direct deposit refund delays you could miss the April 15th deadline. File early to take advantage of this provision.

Considerations for Shareholders of Sub Chapter S Corporations - "S Corps"

The IRS has issued some considerations for shareholders of S Corporations that we'd like to make you all aware of. Forgive us if this is repetitive information, however, we have taken great care to make sure that all of our clients who are LLC's taxed as S Corporations and straight S Corporations have been properly advised this year.

Shareholders of S Corporations (and LLC's taxed as S Corporations) must take REASONABLE COMPENSATION in the form of W-2 income from their companies if they have provided services to the company during the course of the year. Shareholders can NOT take compensation ONLY in the form of Distributions or Draws. Furthermore, Tax Court has ruled unfavorably against shareholders, who

perform services for the company, taking 1099 income from the company. Shareholders who are taking Reasonable Compensation may still take draws and distributions from S Corps but only if Reasonable Compensation is being met.

The IRS and Tax Court are defining Reasonable Compensation as wages that would be industry standard in your geographical area for like services being provided.

Reasonable Compensation can be paid monthly, quarterly, or in SOME situations annually as a bonus. If you are a shareholder of an S Corp or a member of an LLC taxed as an S Corp (Filing Form 1120-S) we MUST monitor your Net Income on a quarterly basis to ensure that you are in compliance with this important Tax Code.

We'd also like to further re-advise clients that S Corporation (and Partnership) Losses can NOT be taken in excess of Shareholder Basis in the company. If you are drawing all of your owner's equity out of the company you may be required to carry over net S Corp and Partnership losses to offset future gains. It is within the parameters of tax code to make a contribution to your owners equity account at the end of the year to ensure that your basis is great enough to realize these net losses.

“DPAD” Domestic Production Activities Deduction

If you engage in any business to produce, or substantially renovate, a product you could be eligible for this generous, yet little known deduction. This new tax code will allow domestic producers engaging in a business under any type of entity (even sole proprietorship) to deduct up to 3% of the qualified gross receipts, up to certain limitations.

This deduction is not due to sunset any time soon – it is expected to continue through at least 2010. There are certain tax planning strategies that need to be implemented to fully take advantage of this deduction. We will be scrutinizing our business clients records to find ways to maximize this deduction when possible.

Charitable Contribution Regulations

For years beginning August 17, 2006 no deduction is allowed for cash contributions unless the taxpayer has either (1) bank records or (2) written acknowledgement from the charity documenting the contribution's amount and date. Please remember that if you are deducting miles driven (there are limitations) for charitable purposes (Sunday School Teachers, Little League Coaches, Girl Scouts / Boy Scouts leaders and volunteers, etc) you need to have written documentation of the date range that you volunteered as well as a mileage log. If you donated food, canned goods, or materials to charities or churches you will need a letter verifying your deduction as well as the original receipt.

After August 17, 2006 no deduction will be allowed for contributions of clothing or household goods unless the items are in good used condition or better. This rule does not apply to donations of a single item valued at \$500 or more if a qualified appraisal is included with the return.

Qualified Charitable Distributions from IRAs

Certain taxpayers will be allowed to make charitable contributions of their otherwise taxable IRA distributions. The following rules apply:

1. The distribution must be made on or after the IRA owner reaches age 70 1/2
2. Tax Free distributions from an IRA donated to a charity may not exceed \$100,000 per year, per individual for both 2006 & 2007.
3. The distribution must be made DIRECTLY to the charity. If the check is made payable to the taxpayer or even MAILED to the taxpayer the distribution is no longer qualified and must be included in gross income.
4. The entire contribution must qualify as charitable under IRS code
5. The amount of the contribution that was excluded from gross income on the tax return can not be claimed as a charitable contribution
6. The exclusion does NOT apply to SEPs or SIMPLE IRAs.

Why is this tax law important ? This will lower taxable income for many elderly charitable givers. It will mean less tax paid on Social Security benefits and other taxable retirement income for some of our Seniors.

For Your Protection....Our Privacy Policy:

As our client, your privacy is important to us; therefore, we have adopted the following Privacy Policy.

We collect nonpublic information about you from various sources, including the following:

- *Information we receive from interviews regarding your tax situation;
- *Information we receive on applications, organizers, or by other means, such as your name, address, telephone number, social security number, dependents, income and other tax-related data;
- *Information from tax-related documents you provide that are required to process tax returns, such as Form's W-2, 1099R, 1099-INT and 1099-DIV, and stock transfers, etc.

We do not disclose ANY nonpublic personal information about our customers or former customers to anyone, except as requested by our customers or as required by law.

We restrict access to nonpublic personal information concerning you, except to employees who need access to such information in order to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

If you have any questions about our Privacy Policy, please contact us.

IRS Circular 230 Disclosure: Under US Treasury Department regulations, we are required to inform you that, unless expressly indicated, any tax advice contained in this newsletter, or any attachment hereto, is not intended or written, to be used, and may not be used to (a) avoid penalties imposed under the Internal Revenue Code (or applicable state or local tax law provisions) or (b)

promote, market, or recommend to another party any tax-related matters addressed herein.

Do You Have Employees? Things to do in the New Year:

It's a fact that employment related lawsuits and claims go up in a down economy. So, even if you don't make New Year's resolutions, it is more important than ever to make a commitment to protecting your business by putting the below items on your 2010 priority list:

1. **Harassment Training:** The EEOC and courts have ruled time and again that having a policy against harassment that is well communicated, coupled with periodic employee training is at the top of a short list of things employers can do to defend themselves in a harassment claim. If your employees have never been trained, or if it has been more than a year since they were trained, this should be a first quarter priority.

2. **Job Descriptions:** There are a lot of reasons why you should consider having job descriptions -- they help establish a baseline for acceptable performance and what functions are essential for the job (a legal necessity for employers with 15+ employees). Such measures serve to protect the business by defining expectations and providing a vehicle for documenting poor performance.

If you already have job descriptions, now is a great time to review them to ensure they still accurately reflect what the employee is actually doing, including whether the job has evolved into a non-exempt ("hourly") position and can no longer be considered exempt ("salaried"). A common example of this mistake is when a job has become more automated by software -- there's a good chance that a position that was once exempt no longer meets the requirements for exempt status.

3. **Handbooks:** There is almost nothing an employer can have that is more important than a handbook to protect its employees and to protect the business **from** its employees. In just about any termination or other claim, the attorney, unemployment office, or anyone else involved will want to see the written policy the employee violated. Don't put yourself in a position where you can't prove that the employee knew the policy existed -- "it's common sense" is not a winnable defense.

If you already have a handbook, this is the time to review it for updates needed as a result of changes in the law, of which there were many in 2009, but those aren't the only changes that should concern you. Ensure the handbook continues to reflect the actual practices and values of the business.

Other Resolutions You Should Make

1. Document **everything**. Whether it's on paper, in your PDA, or in your Outlook calendar, document all employee episodes, issues, and conversations, including verbal warnings. You never know what will come back to haunt you -- when the

burden of proof is yours, your memory isn't going to be considered a reliable witness.

2. Know that under-reacting to a situation is just as dangerous as over-reacting to it. Letting issues go unaddressed sets you up for claims of discrimination and arbitrary treatment. Additionally, issues tend to gradually increase in severity and you can't back peddle, i.e., you can't use against an employee what you have previously failed to document or address.

3. Similar to #2 above, keep emotions out of employment decisions. Giving a merit increase to a poor performer because times are tough, overlooking policy violations because you know the employee is having a hard time at home, or keeping employees who should be terminated because it seems easier than having a vacant position for a few weeks or months -- these are just a few examples of good intentions that have dangerous consequences. It's ok to want to do right by your employees, but a better way to do that is to do what is best for the health of the business; otherwise, there may not be the need for *any* employees.

Charlotte Jensen

Cole James Associates, Inc

www.colejamesassociates.com 804.339.5576

Organizational Goal Setting

Thank goodness this year is almost over! The economic wind is changing and it is now time to plan what we want to achieve next year. The most important thing to remember in our planning process is that a goal is not a hope, wish or prayer. Rather, it is a methodical process that provides a roadmap for the achievement of your goals. Goal setting is critical to success. Plain and simple. If you don't know where you are going then all roads lead there...and you don't have time to travel all of them when you are trying to keep your edge in your marketplace. Every organization should be hard at work planning for the coming year. Organizational Goal Setting is the start to developing goals for your business. I hope you find this information useful.

ORGANIZATIONAL GOAL SETTING

Successful organizations recognize that goal setting is done at two separate but interrelated levels - Organizational Goals and Personal Goals. We will focus on what constitutes excellence in organizational goals.

Organizational goals provide the definition of purpose and the direction for an organization. Goals crystallize and bring life to the organization's vision. Goals that are developed and executed properly foster organizational alignment and success through the three critical components of an organization: Strategy, People and Processes.

As goals are carried through every department, business unit, or division of an organization, they provide the cornerstone to the organizational structure. The primary reason most organizations exist is to be profitable or to generate enough funds to implement their mission. Goals provide the direction around which every part of the organization, as well as the individuals in the organization, must be organized. When the physical, mental and emotional efforts of the entire team are

channeled toward organizational goals, the organization's success increases dramatically.

Goals provide a method of tracking and recording achievements. Recognizing achievement is a confidence builder. Past accomplishments can be a predictor of future success! Goals assist the organization in all decision making. When an organization has defined exactly where it is headed, many decisions will fall in place. Each part of the organization can weigh its own effort in terms of its contributions to the overall objectives.

Developing Organizational Goals

When you contemplate how to organize your goal planning we suggest you consider three primary areas of focus:

- **Production Management Goals**

Every organization produces something -- a product, service, or both. Establishing goals related directly to your product or service is critical to success. Generally these goals are easy to identify because they are tangible in nature. How many widgets will you need to meet sales? How many service reps will you need to handle call volumes?

- **People Management Goals**

Here we focus on the organization's most valuable assets, its people. People make decisions, establish policies and manage most of the functions necessary to maintain and grow the organization. What plans are you making for the selection, retention and development of your human assets? How do you create a climate that promotes the maximization of your human potential? What pay and rewards systems are in place to encourage your people and to build a loyal workforce that is stable while being continually energized?

- **Time Management Goals**

The third critical area for success is the management of your most fixed commodity -- time. It is important to critically analyze how time is used by the team. Is it most efficient? Do meetings have a beginning and ending time, an agenda, an outcome, minutes? Are communications managed in an effective manner? Are we managing email, voicemail and texting in the most efficient manner? What systems support what we are doing? Are they efficient? Have you had your systems and procedures evaluated by a competent, outside consultant? Since we have only a finite amount of time, what happens in the use of that time is critical to how effective an organization functions.

At Transformation Group, LLC, we are experts in Goal Planning and Strategic Thinking. We are ready to help in any way we can to ensure your success in 2010! We invite you to contact us with any questions regarding goal planning efforts in your organization. You can call us at 804-598-9175 or email us at transformation1@verizon.net. For additional information on our services please check out our website www.transformationgroupllc.com.

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Top Ten Ways To Improve Collections

By Tony Cavallo
Transworld Systems Inc.

When a practice provides a product or service, it has a right to expect to be paid on a timely basis. However, anyone who's been in business a month or more has learned that prompt payment is not always the case. Often, accounts get seriously past due, or when payments are made, there are insufficient funds in the patient's account to cover a check. Accounts not paid within terms can have a dramatically negative impact on the cash flow of a business.

1 Have a Defined Credit Collection Policy

One of the major causes of overdue receivables is that the practice has not defined to its patients and staff when accounts are to be paid. If patients are not educated that accounts are to be paid on time, then chances are they pay late or sometimes not at all. Make sure that your practice's terms of payment are clearly stated in writing to each patient.

2 Invoice Promptly and Send Statements Regularly

If you don't have a systematic invoicing and billing system, get one. Many times the patient hasn't paid simply because they haven't been billed or reminded to pay in a timely manner. This situation usually occurs in smaller or newer businesses where they're short on *staff* to invoice and bill.

3 Use "Address Service Requested"

One of the most difficult collection problems is tracking down a patient who has "skipped". All businesses should be aware of a special service *offered* by the Post Office. Any statement or correspondence sent out from a business or professional office should have the words "Address Service Requested" printed or stamped on the envelope, just below your return address in the top left corner. If a statement or invoice is sent to a patient who has moved without informing you of their new address, and the words "Address Service Requested" appear on the envelope, the Post Office will research this information and return the envelope to you on a yellow sticker that gives the new address or other updated a form #3547 with the new address and charge you approx. 50 cents. This will keep your address files upto date.

4 Contact Overdue Accounts More Frequently

No law says you can contact a patient only once a month. The old adage "The squeaky wheel gets the grease" has a great deal of merit when it comes to collecting past due accounts. It's an excellent idea to contact late payers every 10-14 days. Doing so will enable you to diplomatically remind the patient of your terms of payment.

5 Use Your Aging Sheet, Not your Feelings

Many businesses (or well-meaning people on their staff) have let an account age

beyond the point of ever being collected because he or she "felt" the patient would pay eventually. While there are a few isolated cases of unusual situations, the truth is that if you aren't being paid, someone else is. So stick to your systematic plan of follow up. You'll soon know who intends to really pay and who doesn't. You can then take appropriate action once you know where you stand.

6 Make Sure Your Staff is Trained

Even "experienced" *staff* members can sometimes become jaded when dealing with past due patients. This usually occurs when they have made and broken promises for payment. Make sure the staff is firm, yet courteous when dealing with them. Your collection staff could benefit from patient service training because, in effect, they must "sell" your patients on the idea that you expect to be paid. Make sure that your collection staff is trained to not only bring the account current, but to also maintain good will with them.

7 Admit and Correct any Mistakes on Your Part

Sometimes patients don't pay because they feel you've made a mistake. If you have, quickly admit it and correct it. Your patient realizes that mistakes can happen in business. Unfortunately, many patients believe that "the doctor doesn't need the money". Denying an obvious error only fans the fire of resentment your patient may already feel.

8 Follow the Collection Laws in Your State

In many states, businesses are governed by the same collection laws as are collection agencies. For example, calling patients at an odd hour or disclosing to a third party that they owe you money are just a couple of the numerous collection practices that can cause serious repercussions. If you're not sure, call your state's department of finance which governs and monitors collection agencies.

9 Use a Third Party Sooner

If you've systematically pursued your past due accounts for 60 to 90 days from the due date, (and they still haven't paid) you're being delivered a message by your client. More than likely, you've requested payment four to six times in the form of phone calls, letters and statements. Statistics show that after 90 days, the effect of in-house collection efforts wears off 80%. That means that the time and financial resources budgeted for collection efforts should be focused within the first 90 days where the bulk of your accounts can and should be collected. From that point on, a third party can motivate a patient to pay in ways you cannot, simply because the demand for payment is coming from someone other than you. Before paying a percentage to a collection agency, or using small claims court or an attorney, check into using a fixed flat fee collection service such as **Transworld Systems Inc.** Transworld has 150 licensed offices nationwide, has the highest recovery rate in the industry, and charges a **fixed fee of around \$12 per account**, regardless of the amount owed, or where the debtor is located.

10 Remember that Nobody Collect Every Account

Even by setting up and adhering to a specific collection plan, there are a few accounts that will never be collected. By identifying these accounts early, you will save yourself and your practice a great deal of time and money. Even though a few may slip by, you'll find that overall the number of slow pay and nonpaying accounts will greatly diminish, and that's a Victory in itself!

Tony Cavallo is available to answer questions regarding billing and collections. He has MORE tips on how to increase cash flow with making the best payment arrangements with your patients, along with providing you with a special "script" to follow. He will also give suggestions on what to look for when choosing a collection agency and what choices you have for recovering your delinquent

accounts.

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Insurance Update from Todd Sumser of James River Insurance Agency

Cell Phone Nation

In 1980, the number of cell phones in the world was a mere 11.2 million—just two cell phones for every 1,000 people.

Over nearly three decades, that number has gone exponential. Today, 270 million cell phone subscribers—a full 87 percent of the U.S. population—fill the airways with talk and text, according to the [Cellular Telecommunications and Internet Association](#). Also, minute usage has surged to more than a trillion per year.

When do we have time to talk? For many, the frightening answer is “while driving.”

A source of many distractions

The federal government estimates, based on observational data, that about a million passenger vehicles on the road at any moment during the day are driven by people talking on hand-held phones. Add the hands-free folks and the texters to that number, and that’s a lot of distracted drivers.

Do they make you nervous? Or...are you one of them? Or both? Here’s what you should know before pushing those buttons.

No hands is no better

Contrary to what you might think, hands-free doesn’t mean risk-free. Studies suggest that there’s no real difference—at least not distraction-wise—between handset and headset.

The problem isn’t one-hand-on-the-wheel or one-eye-on-the-road. Instead, research indicates that phone conversations while driving take a huge toll on attention and visual processing skills.

One theory suggests talking on the phone generates mental images that conflict with the spatial processing needed for safe driving. Eye-tracking studies have shown that while drivers continually look side to side, cell phone users tend to stare straight ahead.

Also, cell phone users may be distracted to the point where their engaged brains

stop processing what they're seeing, resulting in slower reaction times and other driving risks.

Texting is vexing

As of August 2009, texting while driving was banned in 18 states plus the District of Columbia. Novice drivers are banned from texting behind the wheel in nine states.

Those numbers may keep rising—especially if proposed federal legislation, the [Avoiding Life-Endangering and Reckless Texting by Drivers Act](#) (“ALERT Drivers” Act)—is passed. This bill would cause states that choose not to ban texting while operating a car or truck to risk losing federal highway funds.

British authorities claim that texting while driving slows reaction time by 35 percent, and a [University of Utah study](#) indicates texting is 50 percent more dangerous than talking on the phone while driving. Many believe it's more dangerous than drunk driving, but nearly half of drivers under 25 have done it.

Under the new influence

[The National Safety Council](#) (NSC) is an organization that's trying to drive the “don't cell and drive” message home. The group, which publicly advocated a total ban on cell phone use while driving earlier in 2009, cites a University of Utah study that equates the reaction times of drivers on cell phones to those of drunk drivers.

“When our friends have been drinking, we take the car keys away. It's time to take the cell phone away,” says Janet Froetscher, NSC's president and chief executive. According to Froetscher, cell phone use increases the risk of a crash four-fold.

Yet, while the [National Highway Traffic Safety Administration](#) (NHTSA) says that distracted driving causes 80 percent of road accidents, driving under the influence of a phone is, in most cases, legal.

New York was the first state to pass a law banning hand-held cell phone use while driving back in 2001. Since then, only five other states and the District of Columbia have banned the use of hand-held cell phones behind the wheel, according to the [Insurance Institute for Highway Safety](#) (IIHS).

No state currently bans all cell phone use while driving, though the NSC hopes that will change.

It's your only phone

Now, for the first time, the number of households nationwide that choose to have only cell phones outnumber those that have only landlines. In fact, according to a Centers for Disease Control and Prevention survey, 35 percent of households—more than one in three—are basically reachable only by cell.

“There's no question that cell phones are a huge convenience,” says IIHS's Russ Rader. “But the research is mounting that they're also a potential hazard behind the wheel. Driving requires our full attention, and the road has a lot of competition

for that attention.”

The latest research, adds Rader, shows that drivers using cell phones are four times more likely to be in a crash that causes injury to the driver.

Lesson to be learned—if it’s your only phone, take it along, but don’t use it while driving.



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Todd Sumser
James River Insurance Agency

Recognizing Employees During Tough Economic Times

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Foreclosure or Short Sale?

By: Sherry Beran
Partner – The Beran Team, LLC
REALTOR – Long & Foster

Foreclosure or A Short Sale?

It's everywhere you look: newspapers, the evening news, radio... the buzz is about the rising rates of foreclosures in this country. US foreclosures are up 22% from 2008. And foreclosures are happening literally everywhere, not just Arizona & California. Virginia has the 16th highest foreclosure rate in the US.

We've all heard so much about foreclosures and short sales, but nobody seems to be talking about the differences between the two (and, yes, there are major differences) or what to do if you or someone you know is facing financial challenges with their mortgage.

A foreclosure occurs when the bank or mortgage holder takes possession of the property due to the borrower's failure to make timely payments. A short sale occurs when a property is sold for less than the amount owed on the mortgage and the lender agrees to accept that amount as satisfaction of the mortgage still owed. So the question is which is better for the homeowner, the foreclosure or short sale?

Foreclosure should always be the last resort when a homeowner is in trouble with their mortgage. A foreclosure will negatively impact credit scores for 5-10 years. Lenders warn that it will be difficult to obtain a loan for almost anything. There are many options to preventing a foreclosure situation including forbearance, repayment plans and mortgage modification but most people don't know about these options. In fact, most mortgage holders say that over 50% of borrowers never contacted the bank to discuss these options. Many homeowners think that foreclosure is their only option.

A short sale is a much better option for the seller. The lender determines if the seller is eligible to sell the house at less than the outstanding debt due to a hardship and then the lender accepts that shortfall as their loss. A hardship includes job loss, divorce, excessive medical expenses, death of a spouse or similar catastrophic situation. The seller must provide to the lender that their expenses exceed their income assets and they must be behind on their payments. It will be up to the lender if the shortfall will be forgiven. The seller in many instances will maintain their credit score by not having a foreclosure. Short Sales are recorded as having been satisfied.

The most important thing for a homeowner to do that is faced with a financial hardship is contact their lender or a REALTOR that is experienced in distressed properties and let them know of their situation. A lot of people simply throw their hands up and walk away from their homes, which has a lasting impact on both their credit and their future. They think that they have no other option, this is not the case. There are options out there you just have to know where to get help.

The Beran Team, LLC is the #1 team in The Village of Midlothian Office and the Top 5 Team in the Richmond Region. They have seen double digit increases their Closed Sales Volume including 2007, 2008 and 2009. The Beran Team, LLC was named Rising Star Team of the Year in 2004 and are members of the elite Chairman's Club. The Beran Team, LLC accredits much of their 2008 and 2009 success to their ability to react quickly to market conditions and their work in foreclosures, short sales and first-time homebuyers.

Health Savings Accounts (HSA)

High Deductible Health Plans and Health Savings Accounts

As the cost of health insurance and healthcare continues to grow, individuals and families are actively looking for ways to lower their healthcare costs. This increased cost, as well as the current health care reform efforts, have been beneficial for a couple of reasons. First of all, it has caused people to creatively look at ways to reduce premium cost. Secondly, it has caused us to consider what real purpose health insurance serves and evaluate our past coverage choices. Let's take a look at the components of using a Health Savings Account plan:

High-Deductible Health Plan (HDHP)

The Health Savings Account (HSA) coverage option has two components. The first component is a high-deductible health plan (HDHP). This is a major medical health insurance policy that has deductible options that meet guidelines established by law. Plans that meet the deductible criteria are considered to be "qualified" high-deductible health plans. There is an inflation factor whereby the deductible guidelines adjust on a yearly basis. These (HDHP) plans are considered comprehensive in the sense that all medical expenses large or small, even doctor

visits and prescription drugs, are considered covered expenses and count towards the deductible.

It is important to note that there can be no benefits paid until the deductible is met on a qualified HDHP. For example, there can be no doctor office co-pay or prescription drug co-pay. Having an up-front benefit of this type would violate the guidelines and disqualify the HDHP. It is important to note that preventative care or wellness benefits are allowed to be covered before the deductible on a qualified HDHP. For plans that use Preferred Provider Organizations (PPO), you also get the benefit of discounted pricing for all medical visits and procedures by a participating provider.

One unique and well accepted feature of the HDHP is that there is only one deductible for a family. This means that the deductible can be met by a single family member having a large medical expense or by all family members combining medical expenses. Once the deductible has been met, the entire family begins to have expenses covered. The expenses after the deductible can be covered at 100% or by a coinsurance percentage until a family maximum out-of-pocket limit is met.

Health Savings Account

The other component is a Health Savings Account (HSA). This is simply a qualified account for making deposits that can later be used for medical care. These accounts may be established with a bank, insurance company, credit union or investment company. The accounts must be "qualified" savings accounts and meet certain criteria established by law, therefore, it is important to verify that the account you are considering meets the qualifications. These accounts are interest bearing accounts and the funds can be accessed by debit card, writing checks or requesting a reimbursement of medical expenses paid. There are limits on the amount that can be contributed to an HSA each year:

2009 contribution limits

-single \$3000

-family \$5950

*\$1,000 catch-up for 55 or older

2010 contribution limits

-single \$3050

-family \$6150

*1,000 catch-up for 55 or older

Here is the best part. Contributions to the HSA are deductible for tax purposes. This means that routine medical expenses, even things that are not covered under the medial plan such as dental, vision and over-the-counter medicines can be paid for with pre-tax dollars rather than after tax dollars.

Written by: **Wiley Long**, President of [HSA for America](#)

Article provided by: Brian T. Crocker, President of Secure Health Choice, LLC.

For more information on how High deductible Health Plans and Health Savings Accounts may benefit your family or business please contact us at 804.307.9164. Secure Health Choice Insurance Agency, LLC.

ROTH IRA Conversion

Everyone is talking about it, but what is a Roth IRA Conversion?
How do I decide if a Roth IRA conversion is right for me?
What are the advantages and disadvantages?

Roth IRA conversions can be an attractive option for a variety of investors, including those with:

- Relatively long time-horizons to retirement. If you're a younger investor, you may want to take your existing traditional IRA, which may be worth considerably less than it was 18 months ago, and convert it to an account that will grow tax-free going forward. Younger investors also will have more time to recoup the dollars they will pay in taxes for the conversion.
- Estate planning needs. A Roth IRA can serve as a beneficial estate planning tool. One advantage is that Roth IRAs aren't subject to the same minimum distribution requirements imposed on traditional IRAs, so you don't have to begin withdrawals from your Roth IRA at age 70½. This could mean a larger inheritance for your children and heirs.
- Concerns about future tax rates. Many people think tax rates will rise in the future. So by converting traditional IRA dollars now, the resulting tax burden may be less in the future. The tax benefits may be particularly appealing if you think you'll be in the same or higher tax bracket in retirement.
- Old 401(k) accounts or other retirement plans from a previous employer. If you can receive an eligible rollover distribution, these accounts can be rolled into an IRA in 2010 and then converted to a Roth IRA, too.

Are you looking to increase your net worth and/or having a Trusted Financial Advisor to discuss this and much more? For more information please contact me for an appointment (walk-ins are not recommended) and ask for Jim.

Jim Bade
Financial Advisor
First Command Financial Services, Inc

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Strategies to Help Keep Overhead Expenses in Check

Although core expenses are often obvious in a business, overhead expenses are not necessarily apparent. As a cost-reduction expert, I am often asked how to identify which overhead expenses should be reviewed more closely. Here are several strategies I recommend to help companies identify spends that may benefit from closer scrutiny:

1. Identify your top expenses

The 80/20 principle is a great rule of thumb to follow, as overhead expenses by nature are numerous and not relatively large. The best place to start ranking expenses is the General Ledger. Use a full year to ensure you capture any seasonality and make the larger expenses more visible.

But don't stop there. It isn't uncommon to find misclassifications in the G/L for overhead expenses, with office supplies the most common culprit in companies of all sizes.

The Accounts Payable ledger is another good tool. Export it into a spreadsheet and add a column indicating the primary expense category for each vendor. Then sort by category and amount. This exercise will help expose any A/P discrepancies with your General Ledger and identify expenses that are split among vendors, which is particularly likely if a company has many small locations.

You are likely to find cost-savings opportunities simply by consolidating purchases with a single supplier.

2. Sampling is your friend

Looking at any significant expense in detail can be a time-consuming, mind-numbing chore. Few companies have the time or resources to review a year of invoices in depth. I suggest you start by comparing invoices from a supplier, separated by six months or a year, to help highlight price creep with a vendor and within an overall expense. It is common to see prices rise due to reasons beyond the control of your vendors (increases in the cost of fuel, for example).

By identifying these increases, you can ensure they are aligned with existing pricing agreements. This exercise also helps highlight new surcharges or costs. It is common for across-the-board increases to create pricing errors because custom agreements are not well identified and reviewed.

3. Let your eyes spot increases

Expenses rise and fall for a myriad of reasons. A good tool, especially for smaller businesses, is to chart monthly expenses for a year for various expense categories. Use whatever source is easiest – the actual invoices, accounting software or even credit card statements.

I highly recommend using a spreadsheet for this analysis because the data can be presented as graphs and charts. These visuals are the key to quickly identifying changes that can be further analyzed as needed.

A step increase may identify an otherwise unnoticed price increase or it may be related to production of a new product or the unexpected use of resources. The spike in the office supply cost may be due to higher paper prices, opening a new office or back-to-school shopping in the stockroom by some employees. This tool goes a long way to help businesses identify positive and negative influences on their costs.

Any or all of these strategies can be implemented to help businesses quickly survey expenses and highlight potential problem areas. As a company better understands how it spends its money, it can leverage that knowledge to keep costs best in class.

Lycia Rettig is a Director in the metro Richmond area with Expense Reduction Analysts (ERA), a worldwide consulting firm that specializes in reducing overhead expenses with fees coming from the derived savings. She can be reached at 804-517-9863 or lrettig@expensereduction.com

Thank you for your continued business and referrals !