FALL 2009

Quill

NEWSLETTER

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Withholding Surprise?

by Amy Rossignol, Supervisor

In February 2009, President Obama enacted the "Making Work Pay" credit as a means to boost the economy. This credit is designed to provide up to $400 to individuals and $800 to married couples. The credit is received through slight increases in your paychecks throughout the course of the year which is a result of reductions in taxes withheld.

The surprise, however, stems from problems with the IRS withholding tables. The IRS tables were adjusted to reflect this credit, but the IRS did not take into consideration taxpayers who have more than one job, or married couples who both work. Such problems could cause taxpayers to get a larger credit than they are entitled to, which at year end might result in either a smaller refund or owing additional taxes.

Taxpayers affected are:
a. married couples where both spouses work
b. taxpayers with more than one job
c. retired taxpayers who have federal withholding taken out of their pension
d. Social Security recipients who are employed

Below are ways to avoid the possibility of this nasty surprise:
a. check your withholding to make sure enough taxes are taken out of your pay
b. if married and both spouses work, consider increasing your withholding
c. if you are employed by more than one employer, consider having one of your employers withhold additional taxes from those paychecks.

Remember, withholding changes are made on Form W-4, which can be obtained from your employer or the IRS website. Also, if you think your taxes may be underwithheld, the IRS offers a calculator on its website for taxpayers to use in order to determine what their withholdings should be. The IRS website address is www.irs.gov.

Not-for-Profit Accounting Corner

by Peter Hall, Manager

Many not-for-profit organizations are currently grappling with several significant changes to certain accounting requirements which were recently announced. Among these are changes to the accounting and reporting of fair value measurements and revised accounting and legal standards applicable to endowment funds.

Fair Value Measurements

The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 157, Fair Value Measurements, is effective for annual reporting periods ending on or after November 15, 2008 and many NPOs are now facing this standard's requirements. Under FAS 157, reporting entities including NPOs are required to provide significant disclosures relating to the information and valuation methods used in arriving at reported fair values for assets and liabilities

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Not-for-Profit Accounting Corner, continued

carried at fair value. Perhaps most importantly, these disclosures must include a schedule classifying the reported fair values of such assets or liabilities by three "input levels" so that readers may better assess the reliability and objectivity of such measurements.

More controversial has been this standard's clarification that fair value is an "exit-price" concept, and should be indicative of the amount that the reporting entity would receive upon selling assets, or the price the reporting entity would have to pay in order to be relieved of liabilities. While prior to FAS 157, no all-encompassing definition of fair value existed, there are those who argue that the application of this exit-price concept to certain financial instruments such as mortgage-backed securities is partly to blame for the crisis in the credit markets in the fall of 2008.

Even though FAS 157 does not itself add or remove any requirements to report at fair value, not-for-profits issuing financial statements in accordance with generally accepted accounting principles should carefully review the nature of their assets and liabilities carried at fair value to ensure proper determination and disclosure of such values.

Accounting for Endowments

For a number of years, the laws of many states have included the Uniform Management of Institutional Funds Act ("UMIFA"), governing the expenditure of appreciation of endowment fund investments. This statute held that institutions such as NPOs could spend in a given period any such appreciation unless otherwise limited or prohibited by other law or donor restriction. The only limiting factor found in this statute was the requirement that endowment assets not be spent down below "historic dollar value", or the initial value of the endowment when first received from the donor.

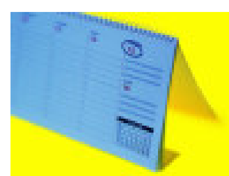
In the last several years, however, more and more states have been enacting the successor to UMIFA, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, the historic dollar value requirement is generally no longer applicable in determining the amount of endowment funds which may be expended currently. Rather, UPMIFA stresses the responsibility that the trustees or other managers of an endowment have to the original donors, and establishes a more fluid limitation on such expenditures by stipulating that annual expenditures in excess of 7% of the fair value of endowment assets are generally deemed to be imprudent and contrary to the provisions of this statute.

In response to the adoption of this new statute, coupled with a desire for comparability in the financial reporting of NPOs from the various states, the FASB issued its Staff Position 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. Effective for fiscal years ending after December 15, 2008, this Staff Position requires lengthy disclosures by NPOs with endowments as to the composition and net asset classification of such funds, as well as data detailing the changes in such balances for each year presented. Additional disclosures include discussion of the organization's investment and spending policies and how these serve the purposes for which the endowment was established, as well as a description of the particular statutory requirements applicable to the organization. Notably, while both UMIFA and UPMIFA specifically only apply to donor-restricted endowments, this Staff Position's scope includes board-designated or "quasi" endowments as well.

Most recently, Maine enacted its own version of UPMIFA, which became effective July 1, 2009. While consistent with the uniform version of this statute in many respects, Maine's version includes an affirmative requirement that entities holding endowment funds need to maintain, in an on-going fashion, records detailing the computation of historic dollar value. Thus, NPOs with endowment funds, either restricted or designated, should carefully review their related spending and investment policies and ensure that detailed information is available to support these required disclosures, as well as to meet the recordkeeping requirement found in Maine's statute relating to historic dollar value.

American Recovery Act of 2009 Planning

by Derek Gervais, Manager



The American Recovery and Reinvestment Act of 2009 contains a wide-range of tax relief incentives for both individuals and businesses alike. Below I have summarized a few of the benefits that are included in the act that you may want to take advantage of before the end of the year.

Tax changes affecting individuals and families

Expanded and revised higher education tax credit. The new law creates a $2,500 higher education tax credit that is available for the first four years of college. Along those lines, a new provision permits computers and computer technology to qualify as qualified education expenses in 529 education plans for tax years beginning in 2009 and 2010.

Tax break for new car purchases. Taxpayers are now allowed to deduct State and local sales taxes paid on the purchase of a new automobile, including light trucks, SUVs, motorcycles and motor homes. The tax break phases out starting with taxpayers earning $125,000 per year ($250,000 for joint returns). The deduction is allowed to both those who itemize their deductions and those who take the standard deduction.

Non-business energy property credit. The popular credit that ended in 2007 has been reinstated. You may be able to claim a non-business energy property credit of 30% of the cost of certain energy-efficient property or improvements you placed in service in 2009. The total amount of the credit you can claim in 2009 and 2010 is limited to $1,500.

Tax changes affecting businesses

Extension of bonus depreciation. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than ordinary depreciation schedules allow by permitting businesses to immediately write off 50% of the cost of depreciable property acquired in 2008 for use in the United States. The new law extends this temporary benefit for qualifying property purchased and placed into service in 2009.

Extension of enhanced small business expensing. Last year, Congress also temporarily increased the amount that small businesses could write off for capital expenditures incurred in 2008 to $250,000 and increased the phase-out threshold to $800,000. These increased limits have been extended to also apply to 2009 expenditures.

These are just a few of the benefits contained in the American Recovery and Reinvestment Act of 2009 that may apply to you or your business. For more information on any of the above mentioned tax changes, or any other tax planning questions give us a call or check out our website. And don't forget, November 30, 2009 is the deadline for first-time home buyers to purchase a home to qualify for the $8,000 refundable first-time home buyers credit.

Theft in the Workplace

by Jennifer Hight, Manager

It seems every week there is a headline in the local paper with claims of employee embezzlement. We are often asked the question, "What can we do to help minimize our risk?" This is a tough question to answer. Every theft is unique, and every organization has unique internal controls. A recent Quill article outlined 10 basic steps that would help eliminate your risk. Many owners have said they lack the time and resources to put many of them in place. We thought it was worth repeating one of the easiest steps below. It will take around 30 minutes of your time once a month, and it could save you thousands of dollars:

Independent bank reconciliations

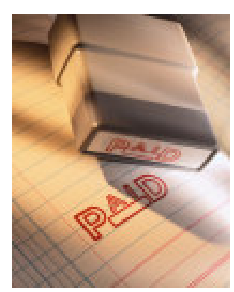
The owner/manager should receive the bank statement, unopened each month. Each cancelled check should be reviewed for Payee and proper signature. We recommend the owner review the transactions thoroughly for any alterations. The owner should also review the reconciliation once it is complete. Watch for deposits in transit and outstanding checks for reasonableness. This step cannot be stressed enough. Many times we hear owners with a false sense of security say that it can't happen to them because they are the only person with check signing authority. This is often times irrelevant because signatures are forged. Also, it is very easy to change the Payee in the computer once the check has been printed. If this is happening, the check register in the system can look entirely legit. It is only by looking at the cleared check that a discrepancy will be noticed.

MRS 2009 Tax Receivables Reduction Initiative

Maine Revenue Services has recently announced the Tax Receivable Reduction Initiative (TRRI). The goal of the initiative is to encourage delinquent taxpayers to pay existing tax obligations, to raise revenue during fiscal year 2009-2010, and to reduce the ever increasing tax receivables.

This new program allows taxpayers with tax liabilities that were assessed as of September 1, 2009 to resolve those liabilities by paying the tax, interest and only 10% of the penalty assessed. By making the payment and signing the TRRI application, the remaining 90% of the penalties will be waived.

The program will run from September 1, 2009 to November 30, 2009. There will be no extension for payment after the final due date.



Applications will be sent to all qualifying taxpayers early in September and then again in early November. For more information contact the Compliance Division at MRS at (207) 624-9595.

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Maine Residents Property Tax and Rent Refund Program

Over 200,000 Maine households now qualify for property tax and rent refunds. Applications must be filed by June 1, 2010.

You may qualify for a refund if:
•You do not have a spouse or dependent(s) and your 2008 household income was $61,400 or less; or
•You have a spouse or dependent(s) and your 2008 household income was $81,850 or less
AND
•Your 2008 property tax was more than 4% of your 2008 household income; or
•The rent you paid in 2008 was more than 20% of your 2008 household income
NOTE: Seniors do not need to meet these requirements when their household income is below $13,900 if they do not have a spouse or dependent or $17,200 if they are living with a spouse.

Employee Announcements

RKO congratulates Tim Gill, an In-charge Accountant at RKO, on his wedding on Saturday, August 29 to Kristin Beaulieu.

Derek Gervais has recently joined the Waterville office as a Tax Manager. Derek is a 1998 graduate of Thomas College, and received his CPA certificate in 2001. He previously worked at an Augusta accounting firm and brings with him many years of experience.