

Advantage

3rd Quarter 2006

ANNOUNCING THE FORMATION OF *MARIEN WEALTH ADVISORS, LLC* TO ASSIST CLIENTS IN MANAGING & PRESERVING WEALTH

We realize that our clients face fluctuating investment markets, constantly changing tax laws, and ever expanding demands on their time. In this complex environment, successful wealth management and preservation is a full-time job that requires expertise and extensive resources.

To better address the needs of our valued clients, we are pleased to announce the formation of Marien Wealth Advisors, LLC, a financial advisory firm offering a full range of integrated advisory services including:

- Personal Financial Planning
- Estate Planning
- Risk Management & Insurance Advisory
- Personal Financial Management

We believe that these services are a natural extension of the services we already provide to assist our clients in evaluating and achieving their long-term financial goals and objectives. We will work closely with our clients to design and implement customized financial plans.

Regular meetings with our clients will ensure their plans continue to meet their objectives.

Please feel free to visit us at www.MarienWealthAdvisors.com to learn more about our advisory services and please call us with any questions.

We would welcome the opportunity to schedule a personal consultation with you to discuss your personal financial goals and objectives and how we may be of assistance.

MARIEN + COMPANY'S MGI MEMBERSHIP UPDATE

As we announced in our last newsletter, Marien + Company, LLC has become a member of **MGI**, a worldwide association of independent accounting and consulting firms (www.MGIWorld.com).

As an update, Tom Marien recently attended the MGI North American Annual Meeting in Toronto, Canada. This meeting was attended by approximately 20 partners of MGI member firms in North America.

MGI is one of the largest associations of independent accounting and consulting firms in the world with over 200 offices in 75 countries. This association provides Marien + Company's clients the opportunity to receive professional

accounting and consulting services from other MGI member firms throughout the world.

Our clients benefit by having immediate access to a wide range of national and international services, including:

- National and international assistance for expansion of their businesses abroad.
- Access to current financial information in almost every country.
- Comprehensive details on current business practices, taxation and accounting procedures worldwide.
- Expertise in national and international business structures.
- The ability to explore business opportunities and establish strategic alliances through MGI's global network.

We would welcome the opportunity to meet with you to provide additional information about our association with MGI and to discuss how we can help you meet your national and international business goals and objectives.

Please contact Tom Marien with any questions related to your national or international service needs.

REMINDER
*Estimated Payments Due
September 15, 2006*

FILLING OUT YOUR W-4 FORM ACCURATELY

Understanding your W-4 Form and completing it accurately is a vital part of your annual tax planning. If withholding is miscalculated, it may be costly to you in several ways. First, if you over-withhold and you subsequently receive a large refund, then you essentially gave the IRS an interest free loan. However, if you under-withhold, you may find that you owe penalties and interest at the end of the tax year.

Two factors determine your withholding amount. One is the amount of your compensation and the other is the information that you provide on your W-4 Form. Such information includes whether you are withholding at the single or married rate, the number of withholding allowances you wish to claim, and any additional amount you wish to withhold from each paycheck.

When choosing whether to withhold at the single or married rate, keep in mind that the married rate is associated with a lower withholding and should only be chosen by those who are married and file a joint return. Those who are single, or married but file a married filing single return, should have wages withheld at the higher single rate.

In choosing the number of withholding allowances, you are allowed to claim up to the maximum number of entitled allowances or less than you're entitled to, or zero. In order to understand the implications of your number of withholding allowances, it is helpful to think of them in terms of the amount of money you want deducted from every paycheck. For example, if you want the maximum dollar amount deducted from each check in order to cover your tax liability, claim zero allowances. This will reduce the amount of income that you receive every pay-

check and will maximize the withholding that the government receives to cover taxes. Conversely, if you want to maximize the amount of money you take home on payday, you can claim the maximum number of allowances to which you are entitled to. However, this may result in a lack of withholdings and a large tax amount due to the IRS on April 15th.

When determining an accurate number of allowances, the following factors apply: the number of dependents you have, the number of jobs you work, the deductions and credits you plan to take, your filing status, and whether or not your spouse is employed. In general, it is a good idea to claim zero allowances on the W-4 Form for any secondary jobs worked. If you claim more than 9 allowances, your employer may be required to send your W-4 Form to the IRS for review. This is standard procedure and often applies to taxpayers with income over \$100,000 or with substantial itemized deductions.

In some cases, accurate completion of your W-4 Form may not guarantee enough wages withheld. These include:

- If you are married and both spouses work
- If you work more than one job
- If you have income from other sources, such as interest, dividends, alimony, self-employment or unemployment
- If you owe other taxes on your return, such as self-employment or household employment
- If you are single with earnings over \$150,000 or married with earnings over \$200,000

If any of these apply to you, it may be a good idea to choose to have additional withholding from each paycheck. If you need help determining the proper amount of additional withholding, consult with

your accountant when filling out your W-4 Form.

It is important to review your withholdings once a year to determine accuracy and to ensure that they are up-to-date. Significant changes in your personal life, as well as significant changes in tax law, may warrant that you submit an updated W-4 Form. These changes include getting married or divorced, having a baby, buying a home, or experiencing any major financial life change. Employers are required to permit you to change your allowances at any time.

EMPLOYEE OR SUBCONTRACTOR

An important area of payroll administration is the classification of those who work for you. Many businesses have attempted to classify workers as independent contractors rather than employees. If the IRS or Department of Labor audits your business and you have made this misclassification, it can be extremely costly to your business.

The IRS has developed a list of 20 factors it uses to determine employee or subcontractor status. The IRS uses the following criteria:

1. *Does the business require the worker to follow their instructions on how work is to be performed? If yes, this indicates employee status; an independent contractor makes their own decisions on how to best complete a task or project.*
2. *Does the business provide training to the worker? An independent contractor generally provides their own training and/or certification.*
3. *Are the worker's services a substantial or integral part of the business? If yes, it suggests the business maintains control and direction over the worker, making them an employee.*

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CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

4. Does the business require the worker to perform all services personally? An independent contractor should have the option of subcontracting out portions of a job to others, or of having their own employees perform various tasks.

5. Does the business hire, supervise and/or pay the worker's assistants? This suggests the worker is an employee, since an independent contractor should hire and supervise their own assistants.

6. Does the business have an ongoing relationship with the worker? Even a seasonal relationship suggests the worker may be an employee.

7. Does the business set the worker's schedule and hours? Independent contractors set their own work schedules.

8. Does the business require the worker full-time? This suggests the worker is an employee because the business controls their work and prevents them from taking on other clients.

9. Does the business provide the work-space? Someone who works off-site is more likely to be an independent contractor.

10. Does the business determine the order or sequence in which work is completed? Routines and schedules established by the business for a worker suggest the worker is an employee.

11. Does the business require oral or written reports? Regular written or oral reports detailing work completed indicate employee status.

12. Does the business pay by the hour, week or month? This will suggest someone is an employee; independent contractors are often paid a flat rate for completion of a specific project.

13. Does the business pay expenses? Independent contractors may request reimbursement for certain expenses, but if the business purchases usual supplies, arranges and pays for travel, etc. it usually means it has the ability to regulate and direct business activities, indicating an employee status.

14. Does the business provide tools and equipment for the worker? Independent contractors generally provide their own tools and equipment. Employees generally use tools and equipment belonging to the business.

15. Does the worker have a significant investment in their own facilities? If a worker owns and maintains his or her own office space, computer equipment, tools, machinery, etc., they are probably an independent contractor.

16. Does the worker have profits and losses independent of the business? If they do, they are running their own business and are probably an independent contractor.

17. Does the worker have multiple clients? Working with multiple clients generally indicates independent contractor status.

18. Does the worker market their services to the general public? Employees don't generally market their services or make themselves available to the general public.

19. Does the business have the right to discharge the worker at any time? This suggests employee status; an independent contractor can not be discharged until the contract is completed, unless they are not meeting contract specifications.

20. Does the worker have the right to quit at any time? An employee may quit at any time while an independent contractor may be liable for failure to complete their contract.

These factors will determine: whether or not an employer has the right to control what a worker does; how and when he or she does it; how much financial risk the worker has accepted; or how much they have invested in their own business. In general, the more control a business has over a worker, the more likely the worker should be classified as an employee. The more financial risk the worker has in terms of business profit and loss, or the greater their own investment in tools, equipment and facilities, the more likely they are to be classified as an independent contractor. If a person falls into the employee status on more than 8-9 of the

IRS guidelines, you should probably play it safe and classify them as an employee.

If you are working with an independent contractor:

- Ask for a written contract. At a minimum, the contract should include the independent contractor's business name and address; specify what constitutes successful completion of the work and how much the work will cost. You may also request that the contract include wording indicating that the person doing the work is an independent contractor not eligible for employee benefits, and that they have control over how, where or when the work will be completed. An example of an exception is where they have scheduled specific meetings or time with the business in order to facilitate the completion of work.

- Obtain a completed W-9 Form from the worker. This should include their social security number or employer identification number and mailing address (not a PO Box). You will need this information to file a Form 1099 at the end of the year.

- Ask for a certificate of insurance. Sole proprietors without employees often don't carry workers compensation insurance. However, many contractors will at least have liability insurance, and this will help you substantiate that they should not be classified as an employee.

- Ask for business cards or other materials which help establish that the worker markets his or her services to the general public. File these materials with the contract in case you need them for an audit.

- Obtain and save invoices for all work. The invoices should include the independent contractor's business name and address.

For more information, see the IRS Publication #1779 Independent Contractor or Employee? For the most current IRS information or other questions, visit the IRS web site at www.irs.gov or speak with your accountant and/or your insurance agent.

CUSTOMIZING QUICKBOOKS REPORTS

Have you ever opened a report in QuickBooks Pro or higher version and wanted more flexibility?

To gain greater flexibility in the reporting format, manipulate the data or to customize it for your own purposes, export the report into Excel. To accomplish this, follow these simple steps:

Open the QuickBooks report that you want to modify.

Click "export" in the report window. You'll be asked to select a new or existing Excel document.

If you select an existing document, a new worksheet will be created within the document.

Once Excel launches, you will see the data from the QuickBooks report. Now

you can modify the report in a variety of ways, including deleting or adding information, changing column or row headings, adding columns with more data, making calculations, and adding headers and footers. All of this can be done without having to manually input all of the information from QuickBooks.

Now, you have a personalized report to attach to an e-mail or to share with co-workers, bosses, or clients.

ADDITIONS TO THE STAFF

We are pleased to announce that **Lynn F. Mulholland, CPA**, has recently joined Marien + Company, LLC as a **Tax Manager**. Lynn is a welcomed addition to the Marien + Company team and we are confident that you will find her to be very knowledgeable and responsive.

With over 20 years of experience in the tax and audit areas, you can rely on Lynn's technical abilities.

Lynn is a graduate of Central Connecticut State University in New Britain and she is currently pursuing a Master of Science in Accounting and Taxation (MSAT) at the University of Hartford.

Heather Capalbo - Heather comes to us from Eastern Connecticut State University where she received her Bachelor's Degree in Accounting and continues to work towards her Master's Degree.

Jill O'Connor - Jill comes to us from Eastern Connecticut State University where she received her Bachelor's Degree in Accounting and continues to work towards her Master's Degree.

This newsletter is intended for general reference purposes only. It is not a substitute for specific, professional accounting and tax advice.

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