

Advantage

Quarter 1, 2006

DO YOU NEED TO REGISTER TO DO BUSINESS IN ANOTHER STATE?

By: N. Alex Bancroft

The answer to this depends on how you conduct your business. The definition on what qualifies as "transacting business" can vary from state to state. However the general consensus is that if you conduct business transactions within your business' home state to other states via mail or internet, you do not need to register in any state other than your own. However, once you leave your business' home state to physically deliver goods or services in another state, you become a foreign corporation/business and you will need to register and/or get a tax identification number with each state you enter and you must collect and remit any sales taxes.

It is important to do your homework on the requirements for each state you are going to be conducting business in. The State of Connecticut requires all LLPs, LLCs, and corporations based in another state and doing business in Connecticut to register for a Connecticut tax identification number and file an Application for Certificate of Authority which requires a fee based on your type of business. However, sole-proprietors only need to register for a Connecticut tax identification number. Most states

have a similar application process and such forms can usually be found and often electronically filed on the Secretary of State's web site.

EMPLOYEES IN CIVIL UNIONS CT 2006 WITHHOLDING TAX

By: Piro Sassa, CPA, MSPA

An employee who is a party to a civil union recognized under Connecticut law should complete a new Form CT-W4 (effective 1/1/06). By choosing the filing status of *civil union filing jointly* or *civil union filing separately*, the employee will have the correct amount of Connecticut income tax withheld from his or her wages. The wages subject to Connecticut income tax withholding are the same as the wages subject to federal income tax withholding, determined as if the employee were married.

For example:

- An employer provides health insurance coverage for employees and their families. For federal income tax withholding purposes, the coverage for an employee's spouse is a nontaxable fringe benefit, but the cost of coverage for an employee's civil union partner is taxable income to the employee. For Connecticut income tax withholding purposes, the benefit for the civil union partner is treated in the same manner

as a benefit for a spouse; therefore the coverage for the civil union partner is not taxable.

- An employer provides a "cafeteria plan" package which allows employees to use pre-tax income for health insurance payments. For federal income tax withholding purposes, the premiums for an employee's spouse are a pre-tax salary reduction, but the premiums for a civil union partner are not a pre-tax salary reduction. However, for Connecticut income tax withholding purposes, the premiums for a civil union partner are a pre-tax salary reduction.

Out-of-state same-sex marriages (as opposed to civil unions) have no legal significance and are not recognized for any purpose in Connecticut, including Connecticut income tax purposes.

Many of life's failures are people who did not realize how close they were to success when they gave up.

-Thomas Edison

NON-CASH CONTRIBUTIONS FOR INDIVIDUALS

By: Thomas O. Marien, CPA, MBA, CVA

Charitable deductions are allowed for any individuals who itemize deductions and who contribute either money or property to charitable organizations. When the donation made is in cash, the amount of the deduction is the amount of cash donated.

However, in the case of property, the deduction is affected by four factors:

- The nature of the property
- How long the donor held the property
- How the organization will use the property
- The nature of the organization

The deduction is generally based on fair market value which is defined as "the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts."

There are several tax strategies involved with non-cash donations. The most beneficial is to establish whether the property has appreciated or depreciated in value. Property that has appreciated in value lends itself to a double tax benefit as the donor can deduct the full market value of the appreciated property as well as avoiding the capital gains tax that the donor would have paid on it. If the property has depreciated in value, then the donor will only be able to deduct the fair market value and will be unable to deduct the amount that the property has depreciated. Hence, it is sometimes more beneficial for the taxpayer to sell the property and deduct the donation of the proceeds.

Contributions of property worth \$250 or more must be substantiated with a written receipt from the charitable organization. It is best to have the organization describe the donated item, although they do not need to place a value on it. If the property is worth more than \$500, a Form 8283 must be filed with the IRS and if the property is worth more than \$5,000 it must be accompanied by a written appraisal.

As always, the rules and regulations regarding deductions can be lengthy and confusing. Make sure to address any questions you have with your accountant!

THE BASICS OF UNCLAIMED PROPERTY

Reports are due March 31, 2006

Why: To reunite rightful owners with their property.

What: Any monies due to the owner (i.e. uncashed checks/paychecks, overpayments, credits, etc.), that have reached their dormancy period-usually 1 or 3 years.

When: At least one year before the abandonment takes effect, try to notify the rightful owner by sending a first class letter.

Where: Send the payment to the rightful owner if they respond to your letter; otherwise, send the money to the Treasurer, State of Connecticut, along with Form ST77 Report of Unclaimed Property.

Watch payments made when you outsource services, such as payroll.

All states have an Unclaimed Reporting Division. Each state's terms vary slightly.

For detailed CT information, visit
www.state.ct.us/ott

QUICKBOOKS 2006

By: Peggy Dougherty, Certified QuickBooks Advisor

Intuit has come out with their newest version of QuickBooks and for the first time in a few years, it looks very different. This is because all of the common activities have been moved to one place, the home page. This is the window that is displayed upon opening QuickBooks. The home page also lets you see account balances that are updated automatically as you work. Or if you prefer the privacy and don't want to see these balances, just click the minus button next to the Account Balances list.

Many people feel that the information available to them in the newest version of QuickBooks is much easier to use. QuickBooks now has 3 centers to use: customers, vendors and employees. From these centers you can get a wealth of information. Click on any name that is displayed in the left hand column and the information about that name is at your fingertips; address, contact information, email address or notes that you have entered. Recent activity for this name is also displayed in this window. You can edit this name or get reports for this name right from this window. This is much more convenient than what was available in previous versions.

In QuickBooks 2006, the activity tracking is always on so you can easily track all the additions, deletions and modifications made to the transactions in your data file. This is a valuable tool if you are trying to find information that was changed accidentally. Before, once the transaction was deleted, it was gone forever. Now it may be gone, but you can see what it was if you need to enter it again.

So, once you get past the different look to the QuickBooks 2006, I think that you

Marien + Company LLC

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

will find it very easy to use with more information available in a more convenient manner.

WHAT YOU SHOULD KNOW ABOUT FORM AU-724

By: Thomas O. Marien, CPA, MBA, CVA

Form AU-724 is the Motor Vehicle Fuels Tax Refund Claim, which can be filed by any individual or business that uses more than 200 gallons of fuel in vehicles that fit any of the following criteria:

- Vehicles used by the United States or State of Connecticut
- School buses
- Vehicles used for off-highway use

Off-Highway use includes any off-road vehicles such as backhoes, bulldozers, compressors, fork-lifts, heating units, lighting units, boats, power saws and mowers, unregistered vehicles, welders, well drilling units, rail-baggage trucks, craned and cement mixers.

The claim form is designed to refund the money that you paid in taxes for "highway repair" on gas that was never used on the highway and results in a refund of 26 cents per gallon of diesel fuel and 25 cents per gallon of gas!

In order to receive your refund, you must file the Form AU-724 by May 31, 2006 for all 2005 fuel usage. The form must be accompanied by the slip or invoice issued each time you purchased fuel. Each invoice must show six pieces of information:

- Date of Purchase
- Name and address of seller
- Name and address of purchaser
- Number of gallons of fuel purchased
- Price per gallon

- Total amount paid

If payment was made within a discounted period, provide proof of the amount paid.

Make sure to call our office with any questions you may have about filing this refund claim. Another tax refund is always a welcome addition to our accounting services here at Marien + Company!

FORM OP-424 BUSINESS ENTITY TAX RETURN

Businesses who file an OP-424, Business Entity Tax Return can choose between three filing options this year:

- The Fast File Return: Use the DRS simple and secure internet filing system where you can print out a copy with a confirmation number for your records.
 - Use the pre-printed Form OP-424 which came in the mail during February 2006.
 - Download Form OP-424 off of the Department of Revenue Services Website and mail it in.
- The DRS recommends using one of the

first two options so that you can insure that your payment is credited properly.

UPCOMING CLASSES

What Governments Need to Know about Fixed Assets

When: April 27, 2006
Time: 9-11am
Fee: Complimentary

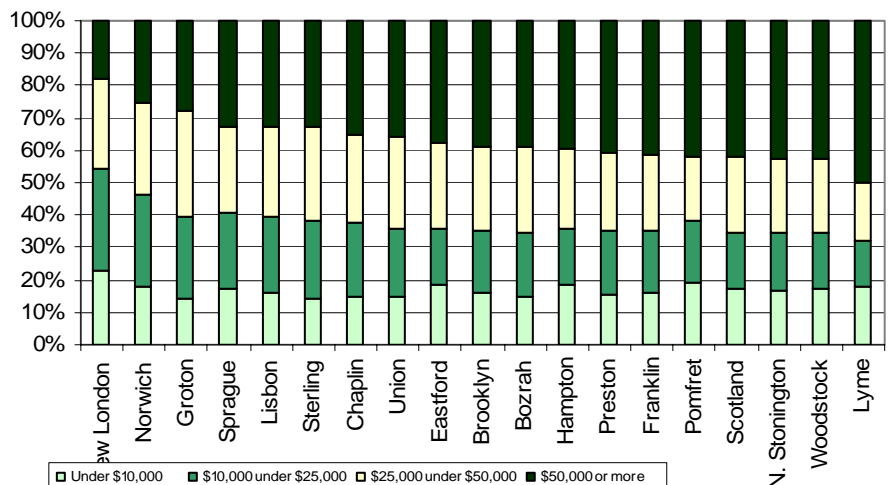
Preparing for your Year End Audit

When: May 10, 2006
Time: 2-4pm
Fee: Complimentary

Preparing Management's Discussion & Analysis for Governments

When: June 15, 2006
Time: 9-1pm
Fee: Complimentary

Adjusted Gross Income By Town



OKTAY GURZ, CPA, MBA

We are pleased to announce that Oktay has completed all the requirements and has earned his license as a Certified Public Accountant. Oktay has joined the Firm in 2005. Prior to that, he was with a Public Accounting Firm in Hartford, CT. Oktay received his Bachelor of Business Administration from the Middle East Technical University in Ankara, Turkey and his Master of Business Administration from the University of Hartford, Connecticut. He is currently working on his second Master's Degree in Accounting and Taxation.

MARCIA MARIEN, CPA NOMINATED TO THE BOARD OF GOVERNORS OF THE CSCPAs

Marcia Marien has been nominated to the **Board of Governors of the Connecticut Society of CPAs (CSCPA)**. The Connecticut Society of Certified

Public Accountants is the only state-wide professional membership association exclusively for CPAs. The CSCPA has a current membership of more than 6,100 individuals in public practice, in business and industry, in government, and in education. The Society is led by a 17-member Board of Governors. Marcia is currently the Chairman of the Society's Government Accounting and Auditing Committee. Marcia has previously served on the Nonprofit Accounting and Auditing Committee, the Peer Review Committee and the Community Services Committee. You can read more about this in the current issue of the *Connecticut CPA*.

CONGRATULATIONS PAULA!

Paula Fernald has been promoted to Senior Paraprofessional. Paula has been with the Firm since 2003. She is one of three of our Certified Quick-Books Advisors and has many years

of bookkeeping experience in various industries that helps her understand the issues facing our clients and their bookkeepers.

THE IRS AND THE OSCARS

We hope that everyone enjoyed watching this year's Oscars. It was an exciting event that drew attention from all over the United States, including the Internal Revenue Service! The commissioner issued a statement reminding all recipients that the six-figure Oscar Goodie-Bags qualify as taxable income and must be reported on income tax returns!

If you would like to receive our Newsletter by email, please call the office or email us at Info@MarienCPAs.com

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