

Advantage

2nd Quarter, 2007

ANOTHER REASON TO SEND THE KIDS TO SUMMER CAMP

If you are a parent of a child who attends summer camp, you may be able to save money on your taxes. That's right, day-time summer camps are eligible for a tax credit, so getting your children out of the house for the summer can reduce your tax liability. Most people don't realize that these summer camps are considered child and dependent care expenses, and if you meet the requirements you may have another reason to send the children to camp for the summer.

Publication 503, which can be found on the Internal Revenue Service's website (www.irs.gov) explains that some individuals may be able to claim a tax credit if they pay for someone to take care of a dependent who is under the age of 13. People taking this credit may be able to save up to 35% of their summer camp expenses. Not everyone is eligible, so make sure you meet the requirements or mention the expense to your accountant for more information.

Tests to Claim the Tax Credit

To receive the credit the taxpayer must meet the requirements set forth by the IRS. The restrictions are as follows as stated in Publication 503:

- ◆ The qualifying dependent must be under the age of 13 and must live with you for more than half of the year.
- ◆ You (and spouse if applicable) must have earned income during the year.

- ◆ The expenses must have been paid so that you and your spouse can find work or continue working.
- ◆ The payment for care services must be made to an individual who cannot claim that child as a dependent.
- ◆ The caregiver must be identified on the tax return.
- ◆ If you exclude or deduct dependent care benefits from a dependent care benefit plan the amount that you deduct must be less than the dollar limit for qualifying expenses.

Limitations

If you are eligible for the tax credit there may still be some limitations on the amount that you can claim. The IRS only allows a maximum of \$3,000 for one child and a total of \$6,000 for two children or more. If you have decided to claim an expense on more than one child the amount does not have to be split evenly among the children. For example, if you paid \$2,500 for one child and \$3,500 for the other you can still claim a total of \$6,000 on your tax return. It is also important to note that if you pay for a summer camp and other dependent care services these expenses can be combined to reach the \$3,000 or \$6,000 limit. Remember, only day-time summer camps are entitled to this credit.

The next step is to find the actual dollar amount of tax credit you can receive. The amount of tax credit is based on the amount that you claim as your total dependent care expense. As noted above, if you exclude dependent care benefits from your taxable

income these expenses must be subtracted from the dollar limit that applies. You can use the following table to calculate your tax credit amount:

If your adjusted gross income is between:		Then your percentage is:
\$ 0	\$15,000	35%
15,000	17,000	34%
17,000	19,000	33%
19,000	21,000	32%
21,000	23,000	31%
23,000	25,000	30%
25,000	27,000	29%
27,000	29,000	28%
29,000	31,000	27%
31,000	33,000	26%
33,000	35,000	25%
35,000	37,000	24%
37,000	39,000	23%
39,000	41,000	22%
41,000	43,000	21%
43,000	No Limit	20%

Once you have found your applicable percentage, multiply that by your qualified expense amount and the end result is your tax credit. To receive the tax credit on your return you must file a Form 2441, if you file a 1040 or a Schedule 2 if you file a 1040A. You cannot take this tax credit if you choose to file a 1040EZ.

“Achievers are not only persistent, they are also hard workers who believe in themselves.”

-Timothy Griffith

USING EXIT INTERVIEWS TO INCREASE EMPLOYEE RETENTION

Exit interviews can be one of the best ways to gather accurate feedback from terminating employees. The objective is to use this information to develop a retention plan for company employees. To be truly effective, the information needs to be gathered in a consistent and structured manner and reviewed carefully to identify trends, patterns and themes.

To ensure that exit interviews are productive, departing employees should be asked to complete a pre-interview form. Their answers will not tell the entire story but will be useful in preparing specific follow-up questions for the exit interview itself. The form should pose questions that address the full range of operational, organizational, job-specific and personal variables that may have contributed to the employee's decision to leave.

A sample of the questions that can be asked during an exit interview:

- ◆ What are the primary reasons why you decided to leave your position?
- ◆ What did you like most about your job? Least?
- ◆ How did you feel about working with other employees in the department?
- ◆ How did you feel about working with your manager/supervisor?
- ◆ What would you have done differently if you'd been the manager/supervisor?
- ◆ What part of dealing with other people did you find most frustrating?
- ◆ How would you rate your pay and benefits?
- ◆ How would you rate the training you received?
- ◆ How would you rate the feedback and recognition you received?
- ◆ If you could have made any changes to your job, what would they have been?
- ◆ Do you feel you were given ample opportunities for advancement?
- ◆ How would you rate your overall working conditions?

Departing employees should be told that honest feedback will be kept confidential, will not become part of their personnel file, and will not result in repercussions. Statements on an exit interview should never be used to prevent future eligibility for rehire and should never damage the chance to provide a good reference.

Remember, no amount of exit interviewing will improve employee retention unless the information that is uncovered is investigated and follow-up actions are taken. The findings should be shared with the appropriate professionals and any necessary changes to policies or programs should be made.

The information that is gathered should be utilized to develop and implement an employee retention program that may include some of the following strategies:

- ◆ Effective employee orientation
- ◆ Appropriate training
- ◆ Supervisory and leadership training
- ◆ Employee mentoring systems
- ◆ Incentive compensation arrangements
- ◆ Career advancement opportunities

SUCCESSION AND ESTATE PLANNING FOR PRIVATELY-HELD BUSINESSES

Succession and estate planning for privately-held business owners requires a significant amount of planning and solutions to challenging issues. This article is not intended to cover all aspects of estate and succession planning for business owners, but will provide some basis for thought and discussion.

The questions that should be addressed include:

- ◆ What is the form of ownership of the business?
- ◆ Are you contemplating that the business will continue after your death?
- ◆ Will the business have to be sold after your death due to the lack of a successor?
- ◆ If the business will continue, who will succeed you?
- ◆ Do you require a buy-sell agreement?
- ◆ If a child is involved in the business but other children are not, will this cause family problems from an inheritance standpoint?
- ◆ Who will be responsible for paying estate taxes pertaining to the business?

Another important area for estate planning for business owners is the valuation of the business at the time of the owner's death. Some of the questions that may need to be answered regarding a valuation of a business are as follows:

- ◆ Is there a buy-sell agreement in effect that establishes a method for valuation of the business at the time of the owner's death?
- ◆ Does the buy-sell agreement discuss such issues as continuation or disposition of the business at the time of the owner's death?

The process of answering these questions will generate many benefits and will:

- ◆ Preserve the lifetime of hard work of the current generation of owners; and
- ◆ safeguard the assets and financial security of the family.

If you would like to learn more about succession and estate planning for privately-held businesses, please contact Tom Marien.

Marien + Company is offering the following COMPLIMENTARY CLASSES TO OUR MUNICIPAL AUDIT CLIENTS in order to help them with compliance issues for SAS112

7/19/07 - Accounts Receivable and Deferred Revenue

7/26/07 - Accounts Payable and Encumbrances

8/2/07 - Accrued Payroll and Compensated Absences

8/9/07 - Fixed Assets and Capital Non-Recurring Funds

Please register in advance by calling our office or visiting our website at www.MarienCPAs.com

Marien + Company LLC

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

USING QUICKBOOKS FOR PAYROLL PROCESSING

QuickBooks has several different versions of payroll services for their clients who have the QuickBooks accounting software. They include: Basic Payroll, Standard Payroll, Enhanced Payroll and Assisted Payroll.

Basic Payroll is the most inexpensive version but it is very limited. The basic payroll can only accommodate from 1 to 3 employees. It also requires that you complete the quarterly payroll tax forms manually. It does offer direct deposit for your employees and tax tables are available for downloading so that you are always up-to-date for tax withholdings, but you are responsible for remembering to make your payroll deposits in a timely manner. This applies to the filing of the quarterly employer tax forms as well.

Standard Payroll is designed for the small business owners who want to automate the payroll process and who are comfortable completing the state payroll forms by hand. This version can process up to 600 employees and still provide direct deposit. The federal payroll forms can be printed right from your computer. Forms 940 and 941 can be printed on plain paper. The Form W-2 will need special forms to print. You will need to make your payroll deposits in a timely manner as well as filing the quarterly employer tax forms.

Enhanced Payroll offers all of the features of the Standard Payroll, plus it completes the state and federal forms with the data in QuickBooks automatically. It also calculates "net-to-gross" amounts in one step. It will track Worker's Compensation rates and deductions. As with both Standard and Basic Payroll, you still are responsible for making all deposits and filing of all of the quarterly employer tax forms.

Assisted Payroll allows you to manage your payroll on a day-to-day basis, but takes all the responsibility for making the payroll tax deposits and filing the quarterly employer tax forms. You would prepare your payroll checks and then download to Intuit who would then take care of all of the deposits and filings.

One advantage to using QuickBooks to prepare your payroll versus a complete outsourced payroll service is that you have the ability to use job costing in QuickBooks if you process the payroll. The employees can use the timesheets to enter their time by job into the system and from there it is just a few clicks and the payroll checks are ready and you will have job costing information.

If you would like more information, you can call Peggy Dougherty at 886-1750 or visit Intuit's website at www.intuit.com and click on payroll.

Marien + Company offers a QuickBooks Support Plan

- 25 calls per year
- Unlimited time per call
- One site visit per year
- One annual fee

Call our office for more details

DOING BUSINESS IN THE UNITED KINGDOM

This article is intended to be a brief summary of information for persons or companies wishing to do business with or invest in the United Kingdom (UK). This article can serve only to draw attention to what are considered to be important matters. We recommend that you obtain professional advice before proceeding with business in the UK, which comprises England, Scotland, Wales and Northern Ireland.

Foreign-Owned Companies

Once established in the UK, foreign-owned companies are regarded in the same way as their domestic counterparts. With a few exceptions, foreign companies establishing UK-based subsidiaries generally encounter no

special nationality requirements on directors and shareholders. The UK imposes very few restrictions on foreign ownership and there are no limitations on the free flow of capital.

Regulatory Framework

When setting up a business in the UK, it is important that you are familiar with:

- ◆ The tax, National Insurance and VAT (sales tax) systems
- ◆ The legal system, and what laws and regulations may affect your business
- ◆ Health and safety regulations
- ◆ Environmental considerations
- ◆ Employment procedures
- ◆ Licensing
- ◆ Immigration status (e.g. of your staff)
- ◆ Intellectual property, including patents, copyright and trademarks

Setting Up a Company

Several legal structures are available for carrying out business in the UK. The most popular choice for foreign investors is to set up a Private Limited Liability Company either as a standalone company or a subsidiary of a foreign-owned holding company. The main advantage of a limited company is that it offers the shareholders limited liability. However, other options may suit individual circumstances, such as:

- ◆ Private Limited Company
- ◆ Public Limited Company
- ◆ Sole Trader
- ◆ Partnership
- ◆ Limited Liability Partnership (LLP)

Taxation

Businesses must register with the Inland Revenue for PAYE (Pay As You Earn – income tax deducted from employees' wages) and National Insurance payments for employees, and for corporate tax for registered companies.

VAT (Sales Tax)

A business must register with HM Customs and Excise for VAT if the revenue of the business is more than 56,000 pounds (approximately \$112,000 U.S.) in any 12 month period. Thereafter quarterly returns of

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Marien + Company, LLC is a member of MGI, a worldwide association of independent accounting firms.

VAT invoiced and paid must be submitted (unless the business is classified as 'small' and other arrangements are agreed.)

Licenses

Depending on the nature of the business, it may require licenses from local or central authorities or from providers of software, etc.

Insurance

Mandatory insurance is needed for employer's liability. In rented property, occupier's liability insurance may also be required.

Bases of Taxation

Companies and individuals resident and domiciled in the UK pay on their worldwide income and gains, whereas non-residents and non-domiciled individuals are generally subject to tax only on UK-source income. A non-domiciled individual resident in the UK will bear UK tax on remitted overseas income or gains as well as UK gains and income.

Corporate Tax

Companies pay corporate tax on their worldwide trading profits, income and capital gains, normally within nine months and one day from their accounting year-end. Large companies pay tax at the full rate, with lower rates applicable if the company profits qualify as being small or very small.

Personal Taxes

Individuals present in the UK for more than 183 days in the fiscal year (ended April 5) will be treated as a resident for tax purposes, and thus taxable on their worldwide income and gains. The exception is in the case of persons not domiciled in the UK where the income or gains is not remitted in the UK.

Non-residents will normally be taxable only on UK-source income, subject to relief under an appropriate double tax treaty. For additional information about doing business in the UK, please contact Tom Marien.

WELCOME TO OUR TEAM

We welcome Sharon Dumais to our team as a staff accountant. Sharon is a recent graduate of Eastern Connecticut State University.

We also welcome Aaron Bernstein who has joined us for the summer as an intern staff accountant. Aaron is a student at the University of Connecticut.

UCONN'S ACCOUNTING HONORS BANQUET

Managing Partner, Marcia Marien, CPA attended the 2007 University of Connecticut Accounting Honors Banquet where she presented the Marien + Company accounting scholarship to an accounting major student.

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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