

2007 - Third Quarter Issue

Small Business and Work Opportunity Tax Act of 2007

At the end of May 2007 new tax legislation was signed into law. The following are some of the highlights (and lowlights) of the new legislation:

Small Business Expensing. The new law extends and expands the Code Sec. 179 enhanced expensing provisions through 2010. It provides for an immediate 2007 increase in the expensing limit from \$112,000 to \$125,000, with the phase-out level increasing from \$450,000 to \$500,000. The amount is also indexed for inflation for tax years beginning after 2007 and before 2011.

Work Opportunity Tax Credit (WOTC). The new law extends the WOTC for 3 1/2 years through August 31, 2011. It also expands the WOTC to allow the credit to employers who hire disabled veterans and individuals in rural counties that have suffered population declines.

GO Zone Businesses. The new law extends special 179 expensing for Go Zone businesses (those devastated by Katrina) through 2008.

Family Business Tax Simplification. Under the new law, a married couple who operates a joint venture and who files a joint return can elect not to be treated as a partnership for federal tax purposes. This treatment is available for tax years beginning after December 31, 2006. Each spouse would take into account his or her share of income, gain, loss, and other items as a sole proprietor. They would not have to file a partnership return (Form 1065) and report two Schedule K-1s. Instead, the couple would each report their share of income on Form 1040, Schedule C.

Age for kiddie tax applicability increased. Effective for tax years beginning with 2008, the kiddie tax is expanded to apply to any child who is 18 years old or is a full time student over the age of 18, but under age 24. If a child is over the age of 17 (or 18 if a student), the kiddie tax will not apply if the child provides more than half of his or her own support through earned income (such as wages). Thus, beginning in the 2008 calendar year, the net investment income of a child will be subject to the kiddie tax under the following circumstances, respectively, assuming that he or she has a living parent and does not file a joint return:

- 17-year-old or younger —will continue to be subject to the kiddie tax regardless of the amount of his or her own support provided with earned income;
- 18-year-old —subject to the kiddie tax unless the child provides more than half of his or her own support with earned income;
- 19- to 23-year-old student —subject to kiddie tax unless the child provides more than half of his or her own support with earned income.

New Penalty Applies for Filing Erroneous Refund or Credit Claims. A 20 percent penalty applies to erroneous income tax refund or credit claims made for an “excessive amount” that are filed without any reasonable basis. The penalty is applied to the excessive amount of the claim, which is the amount by which the claim exceeds the amount allowable.

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Year-End will be upon us before we know it. Have you contacted your HLB Gross Collins, P.C. representative to discuss year-end tax planning strategies?

The standard mileage rate for business is 48.5 cents.

BEWARE...

New Email Scam

There is a new email scam intended to fool people into believing they are under investigation by the IRS's Criminal Investigation division. The email entices people to click on a link or open an attachment to learn more information about the complaint against them. The IRS has warned that the email link and attachment is a Trojan Horse that can take over the computer hard drive and allow someone remote access to the computer.

Jake M. Bodenheimer

Keeping Your Computer Safe

Viruses and Malware can be more than just a thorn in your side. At first they may seem like more of an annoyance than anything, but eventually they can steal passwords and account information, and make your computer virtually unusable.

The best thing you can do to keep your computer safe is to know what you are dealing with. There are three basic types of threats on the Internet: viruses, malware/spyware, and phishing scams. Each of these threats will affect your computer in different ways.

Viruses are programs that are installed on your computer and then replicate themselves, spreading from machine to machine either through the Internet, files, or email. These viruses can delete files, control your computer from a remote location, or greatly slow down or stop the performance of your computer.

Malware/spyware programs install themselves onto your computer without your knowledge and collect information from your computer files and your activity on-line. If your computer is inundated with spyware it may start moving slowly, pop ups may appear and it could be recording your keystrokes giving someone access to your online accounts and passwords.

Phishing scams are mostly emails you receive asking you to update your account information. These are very official-looking emails asking you to click on a link to verify your account information. The email may say that there has been some irregular activity, or that someone has tried to log into your account. It will likely contain a logo from the bank or financial institution, making it appear to look official.

Even with all of these threats out there, you can take steps to help protect your computer and your data. With a little caution, you can make your computer almost completely safe from threats coming from the Internet.

- **Keep a firewall on at all times.** Microsoft does supply a firewall with Windows. While this is not the best firewall, it is better than nothing, and it is already in

place. However, it is a good idea to install an additional firewall that will protect against outside computers accessing your information. PC Magazine recommends Norton Personal Firewall and ZoneAlarm Pro.

- **Keep your Windows security up to date.** You can set Windows to automatically download and install updates by clicking on My Computer and then clicking on the "Automatic Updates" tab. It is a good idea to automatically download the updates, but choose when to install them since many updates require you to reboot your computer.

- **Keep your anti-virus and anti-spyware software up to date.** Over 200 viruses and spyware are being released every day, making it imperative that you stay up to date. Most software has an option to automatically download the latest definitions every day. Select that option and you should be okay.

- **Never open an attachment you are not expecting.** If you do receive an unexpected attachment, call the sender and verify that they meant to send it to you. They can tell you whether it is safe or not.

- **Never verify account information through an email.** If you receive an email stating that you need to verify information, close the email and go directly to the vendor's website. Do not click on the link. It will take you to a fraudulent web page that will look legitimate, but will in fact send your information to the scammer. If action is needed by a customer, the company will usually post it on their home page.

By following these simple steps you will greatly improve your chances of keeping your computer safe. If you do start experiencing problems, you should contact your IT person immediately.

Heather Worrall

Ken Acree Named HLB Gross Collins, P.C.'s Chief Operating Officer

Ken Acree, CPA, has been promoted to **Chief Operating Officer** of HLB Gross Collins, P.C. Ken has been with the firm since 1999 and has 14 years of prior financial management experience. In addition to acting as Chief Operating Officer, Ken will also continue in his role as Chief Financial Officer. He is a graduate of Kennesaw State University, a member of the American Institute of CPAs, and a member of the Georgia Society of CPAs.

Ken has been married for 27 years and has 2 children. He is active in his church and sits on the Advisory Board for Stone Mountain Boys Academy, the youth program for Teen Challenge Georgia International. He has lived in Atlanta his entire life.

When Does a Hobby Become a Business?

There are numerous success stories of inventions or businesses that originated from hobbies. As the passion and enjoyment for the hobby grows, the attention may shift to growing the hobby into a business.

Hobbyists who make money regularly and take the limited deductions allowed on Schedule A, might consider the tax advantages of turning their hobby into a business. The IRS looks at the following factors in determining when a hobby is considered a business for tax purposes:

- Is the activity carried on in a businesslike manner?
- Does the owner (and his advisors) have the expertise to run the business?
- Does the owner spend the time and effort to make the business successful, including partial or total withdrawal from another occupation?
- Is there an expectation that the business assets will appreciate in value over time?
- Has the owner had success with other activities?
- Is there a history of income or loss? (Does the owner continue with the activity despite many years of losses?)
- How do occasional profits compare in relation to the amount of investment?
- Is this the owner's only source of income?
- To what degree does the business activity possess elements of personal pleasure or recreation?

The Internal Revenue Service is stepping up efforts to prevent taxpayers from deducting losses on business activities not intending to make a profit. So a business plan illustrating profitability and cash flow along with attention towards immaculate record-keeping are prerequisite to the decision to develop your hobby into a business.

Carolyn Quinn

New Form 990

The IRS has released a draft of a newly designed Form 990 for nonprofit organizations. The IRS hopes to be able to use the new forms for the 2008 tax years for forms to be filed in 2009. The redesigned Form 990 consists of the summary page, a nine page core form and 15 schedules that are filled out if applicable. Many of the schedules are new or expand upon existing requirements; fund-raising, compensation, hospitals, tax-exempt bonds, foreign activities, and noncash charitable contributions. Other changes ask about board structure, whistle-blowers, compensation paid through related organizations, financial statements, and taxes owed by the organization. The core form includes a new section on the governance of the exempt organization.

Saving Too Much For Retirement?

Income vs. Assets

In our last issue, we discussed of how much you should be saving for retirement. Depending on your age and how much you've already accumulated in retirement savings, there is a relatively straightforward formula of how much you should be setting aside. The fact is daunting, but some 80% of Americans are not on track to a comfortable retirement. However, once you are committed to saving for retirement, it is important not only to be aware of **how much** you should be saving, but also **how** you should be saving.

Many people think, or are told by on-line financial calculators, that piling up on assets is the road to a smooth retirement. Financial advisors often have a self-serving interest (commission) in encouraging clients to invest more in assets. Wall Street looks at it as a "conservative approach," implying that they would rather have money left over at death, than allow the money to run out too early. However, with the right planning and balance, both can likely be avoided.

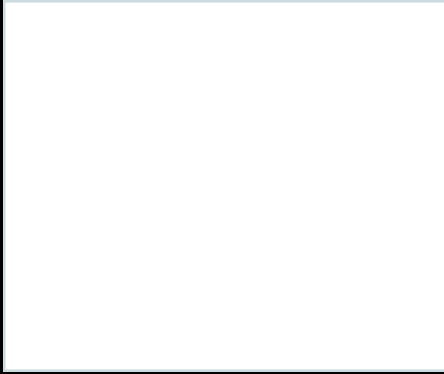
Is it possible to save too much? Yes, if you aren't balancing the present and the future. Analysts show high percentages of required savings, but those numbers often don't include any pension, social security or other checks you may receive in retirement. The calculators are primarily **asset-based**, versus **income-based**, and therefore the calculations can be somewhat inaccurate. You could be unnecessarily investing too much of the present under these assumptions.

When planning for retirement, income can be a key force to your overall plan. Pensions, Social Security, IRAs, a new career, business or part-time work will all play a valuable role. If you are a homeowner, you should have some wealth built up in your home. Pay off the mortgage, live without debt, live comfortably within your means.

Everyone's retirement goals and plan will vary. It is important to have a plan, stay on track for that plan, and work with an advisor you trust. Many people aren't saving enough for retirement, and some are saving but not in the right way. If you are in either category, contact HLB Gross Collins, P.C. for a review of your retirement goals and we can help you get on track for a comfortable future, without sacrificing the present.

Richard B. Taylor

Strictly Personal



Thomas W. Breedlove, Principal

Tommy Breedlove, CPA, has been admitted to the Partner group of HLB Gross Collins, P.C. as a Principal. He is a graduate of the University of Georgia where he earned his degree in accounting, was a member of Phi Kappa Phi, Beta Gamma Sigma, Golden Key and Beta Alpha Psi.

Tommy has eleven years of public accounting experience with a Big Four firm, as well as a midsize international firm. Tommy has expertise in many different industries including International Business, Manufacturing, Distribution, and Not-for-Profit Organizations.

Tommy is a member of the American Institute of Certified Public Accountants, the Georgia Society of CPAs, the Georgia Restaurant Association Finance Committee, the Metro Atlanta Chamber of Commerce and the University of Georgia Alumni Association.

Tommy is married and has two labrador retrievers. His hobbies include traveling, golfing, camping, boating and whitewater rafting.

Moving Up

Steven Schell, CPA, has been promoted to Audit Supervisor. He has experience in several areas, with a focus in the construction industry.

Jennifer Harrison, CPA, has been promoted to Tax Supervisor. She specializes in closely held businesses, international tax and accounting, and service industries.

Congratulations Steven and Jennifer!

Welcome To the Firm (Again)

Michael Bohling, CPA, has joined the firm as Audit Manager. Michael started his career with us back in 1994 after graduating from Kennesaw State University. After working here for several years, he went to work in construction industry accounting for a few years. We are fortunate to have him back with HLB Gross Collins, P.C. and we know that the expertise he gained from his outside experience, as well as his earlier experience with us, will be an asset to the firm and to our clients.

Welcome back Michael!

A New Addition for Beth Salvati

Beth Salvati and her husband, Steve Samp, are proud parents of a new baby girl. Anna Marie Isabel Samp was born April 20, 2007. She weighed 6 pounds 7 ounces, and was 18 inches long.

Anna Marie was welcomed home by mom, dad and big sister Mary Grace.


Congratulations on the entire family!

HLB Gross Collins, P.C.

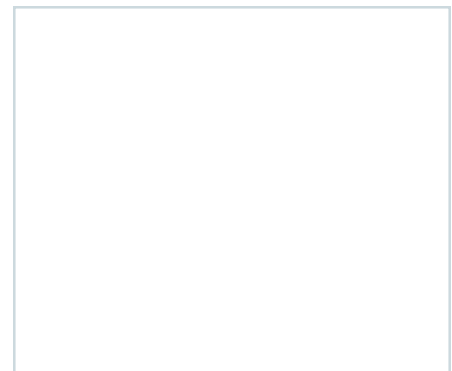
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*Local In Touch ...
Global In Reach*



Anna Marie Isabel Samp