

Money Watch

HLB Gross Collins, P.C. Moves to City View Office Building

HLB Gross Collins, P.C. is pleased to announce that we have relocated to the 9th and 10th floors of the City View building located at 3330 Cumberland Boulevard near the intersection of Cobb Parkway and Cumberland Boulevard. Our change of location allows for continued expansion of our firm and enhancement of our systems to better serve our clients. We look forward to continuing to serve our clients for many years in our new location with a focus on quality customer service. Our commitment to excellence and our dedication to helping clients increase and preserve their net worth continues to be a driving force within our firm. We look forward to greeting you in our new office and working with you for all of your accounting, tax and financial needs. Please join us for our:

Grand Opening Celebration
Thursday, February 5th, 2009
4:00 p.m.—8:00 p.m.

3330 Cumberland Boulevard, Suite 900
Atlanta, GA

RSVP to Lane at 678-306-1502

The City View building is located approximately 1/2 mile west of I-75 on Cumberland Blvd. The Cumberland Blvd. exit is just inside I-285.



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Standard Mileage Rates

Effective 2009

For 2009, the following rates apply for deducting costs of operating an automobile:

- Business mileage is 55 cents per mile.
- Medical and moving expenses are 24 cents per mile.
- Mileage for charitable purposes remains at 14 cents per mile.



Repayment of S Corporation Debt Impacted by New IRS Regulations Significant changes will impact shareholder tax liability

Rick Hamilton

Many small and mid-size businesses operate as “S corporations” for income tax purposes. As an S corporation, the business does not compute a tax liability on its operations, but instead shareholders report their shares of the corporation’s income or loss on their individual income tax returns. In the current economic environment, many such businesses will be passing through losses to shareholders.

Under the Subchapter S rules, the shareholders can deduct losses only to the extent that they have basis in their S corporation stock or in loans that they have made directly to the corporation. The shareholders’ basis in loans is reduced by the amount of any losses supported by such loans after reducing stock basis to zero. Repayment by the corporation of such reduced basis loans would result in gain to the shareholder. Often, shareholders have arranged their loan repayments and subsequent advances so that they could (1) take losses supported by the loans at year end, (2) repay the loans early in the following tax year, and then (3) advance loans back to the corporation late in the following tax year in order to continue to support those prior losses. This procedure of “netting” advances and repayments on “open account indebtedness” during the year was upheld several

years ago by a Tax Court case. The Treasury Department and IRS concluded that this case provided for a result not intended by Congress or by the IRS Regulations in effect at the time, and they have now amended those regulations.

The new regulations adopt a \$25,000 per shareholder limit on “open account indebtedness,” determined as of the close of the tax year. If the \$25,000 limit is exceeded by aggregate indebtedness to a shareholder, the entire amount is considered a debt associated with a separate written instrument, the repayment of which will generate gain to the shareholder if the basis has been reduced by previous pass-through of losses. The determination of basis is made without regard to subsequent advances by the shareholder during the year because repayments and advances will not be netted.

These new regulations apply to any shareholder advances to the S corporation made on or after October 20, 2008, and to any repayments by the S corporation on those advances. Certain aspects of these regulations are too complex for this article. If you or your corporation has shareholder loans, please contact your HLB Gross Collins P.C. tax advisor for assistance in determining their impact on the tax liabilities of the shareholders.

Tax Season is Upon Us

2008 Economic Stimulus Payments

The 2008 economic stimulus payment was actually an advance payment of a 2008 tax credit for eligible taxpayers. The payments were based on your 2007 tax return.

When you provide us with your 2008 data, please be sure to let us know the amount, if any, of the stimulus payment received. If you did not receive a payment, it is possible that you may be eligible depending on your level of income.

Cost of Living Adjustments for 2009

- The annual gift tax exclusion increases from \$12,000 to \$13,000 in 2009.
- The limit on elective deferrals for defined contribution plans (including 401(k)’s) increases from \$15,500 to \$16,500 for 2009.
- The catch-up contribution amount for 401(k)’s increases to \$5,500 for 2009.
- The limit on annual additions to defined contribution plans will jump from \$46,000 for 2008 to \$49,000 in 2009.
- The base contribution limit for IRAs remains at \$5,000 with the catch-up contribution at \$1,000 for 2009.
- Maximum employer contributions to a SEP that are excluded from an employee’s gross income increases from \$46,000 to \$49,000 for 2009.

A Few Reminders to Help Minimize the Tax

IRS Begins Tax Season with Help for Financially Distressed Taxpayers Promotes Credits and e-File Options

Taxpayers should look into the numerous tax breaks available and take every credit, deduction and exclusion for which they qualify. People who had less income in 2008 could qualify for credits for which they previously did not qualify. There are several new benefits this year:

- First-Time Homebuyer Credit
- Standard Deduction for Real Estate Taxes
- Mortgage Workouts or Foreclosures

Extenders. Many popular but temporary tax breaks have been extended retroactive to the start of 2008 and through 2009. They include the state and local sales tax deduction, teachers’ classroom expense deduction, research tax credit, energy tax incentives for individuals and businesses, the higher education tuition deduction, and tax-free distributions from IRAs for charitable purposes.

Remember: the fastest way to get a tax refund is by filing your return electronically and opting for direct deposit.

For information on these and other tax credits, contact your HLB Gross Collins, P.C. representative.



HLB Gross Collins, P.C.'s Insolvency and Restructuring Group

Expertise and assistance for struggling companies

Many businesses are facing a life or death challenge during the current economic and credit crisis. Survival will require swift, decisive, and correct responses to disruptions in the supply chain, capital flows, and customer orders and payments. HLB Gross Collins, P.C.'s Insolvency and Restructuring Group is here to help these companies achieve the best possible outcome and poise themselves for a brighter financial future.

Our team of experts assists troubled businesses along three fronts:

- Organizational restructuring and right-sizing of operations
- Debt restructuring and lender relations
- Customer/supplier collaboration

We work with the company's shareholders and advisors to find the most reasonable and effective solutions for all parties. We will undertake an extensive evaluation of the business and develop a thorough understanding of the financial and operational issues. Through our perspective as a detached third party, we can help develop solutions and options that may not have been previously considered. Often this process uncovers untapped potential to rebuild and refocus the business plan so that the process of reconstructing financial stability can begin.

Financial challenges, even bankruptcy, do not have to be the end—our goal is to help companies make strategic and sound financial moves, armed with knowledge and foresight. If your business is facing financial uncertainty, contact HLB Gross Collins, P.C., and our Insolvency and Restructuring Group can guide you through the challenges and decisions that lie ahead.

Worker, Retiree, and Employer Recovery Act of 2008

Jake M. Bodenheimer

Congress has passed an emergency package of pension recovery provisions and pension-related technical correction including the following:

- For 2009 only, the Required Minimum Distribution from retirement plans has been waived;
- Non-spousal beneficiaries are now able to roll over a decedent's interest in a qualified plan;
- Certain funding rules for defined benefit pension plans that were enacted with the Pension Protection Act have been eased;
- Failure-to-file penalty fees for partnerships and S corporations have been increased to \$89 per month for up to twelve months.

IFRS is Coming Mandatory Phase-In Set in Motion

Tom Breedlove

The SEC recently proposed a "roadmap" for phasing in mandatory International Financial Reporting Standards (IFRS) by U.S. public companies. The initial proposed mandate for this transition is scheduled to begin for certain filers for years ending on or after December 15, 2014. Does this mean the end of US GAAP, and what effect will this have on private companies? No one at this point knows the answers to these critical questions. One thing is for certain: the transition from US GAAP to IFRS will be very costly and will require a tremendous amount of expertise in both areas, regardless of whether the company is a multinational publicly traded conglomerate or a privately held business.

Assuming that IFRS does in fact become GAAP for public companies in the future, it is logical that the same requirements, or a hybrid of the requirements, will follow for private companies. If so, every family-owned enterprise in America could potentially be affected by this transition.

Is this push for global uniform accounting standards going to be worth it considering the estimated time and costs involved to change, especially for family-owned enterprises? Only time will tell.

Tom Breedlove is the firm's expert in International Financial Reporting Standards. This year Tom completed continuing professional education on this subject both abroad in Berlin, Germany and here in the United States. If you need any further details regarding IFRS, please contact Tom directly.

Trying To Sell or Refinance A Home With A Lien

IRS Announces New Options

The Internal Revenue Service announced an expedited process that will make it easier for financially distressed homeowners to avoid having a federal tax lien block refinancing of mortgages or the sale of a home. If taxpayers are looking to refinance or sell a home and there is a federal tax lien filed, there are options.

Taxpayers may request that the IRS make a tax lien secondary to the lien by the lending institution that is refinancing or restructuring a loan. Taxpayers may request that the IRS discharge its claim if the home is being sold for less than the amount of the mortgage lien under certain circumstances.

The process takes approximately 30 days from the time the application is submitted, but the IRS will work to speed those requests in the wake of the economic downturn.

Strictly Personal



In the News

Lane Bassham Interviewed for CPA Publication

Congratulations to **Lane Bassham**, Marketing and Recruiting Director for HLBGC, who was recently quoted in an article published by *Web CPA*. Lane was called upon to share her expertise gained from coordinating and overseeing the hiring needs within our firm.

On the topic of college recruiting, hiring interns and managing various start dates, following is the excerpt from the article where Lane shared her thoughts:

"We hire interns for the busy season, and in most cases are prepared to offer them a permanent position. They usually accept, but we offer it for a September start date. That way they get one more summer off, and time to study for their CPA Exam."

"September and October are our heavy recruiting months on college campuses for the January start date," she said. "We treat interns like first-year hires, which is why 99 percent of the time they end up in a full-time position with us the next fall."

Bassham noted that average turnover in the profession, at 20 percent, is second only to the fast-food industry. "Our turnover is less than 7 percent," she revealed. "I don't see how we could function if we approached the industry average."

Congratulations to **Elliott Dahle** who has passed the CPA exam and earns the Certified Public Accountant designation in January upon meeting the working time requirement in addition to passing the exam.

Way to go Elliott!

Jeff Plank Earns New Designation Maximizing Valuation Expertise

Jeff Plank, Manager of Consulting Services at HLB Gross Collins, P.C., has been designated an Accredited Valuation Analyst (AVA) by the National Association of Certified Valuation Analysts.

Business valuation has become an increasingly common tool for business owners as a way to maximize the value and minimize the risk of complex business transactions such as mergers or acquisitions, IPOs, reorganizations, split-ups, spin-offs, buy/sell agreements or succession planning. When litigation is involved, business valuation can be a useful part of the dispute resolution process.

In addition, Jeff is an integral part of HLB Gross Collins, P.C.'s Insolvency and Restructuring Group (see article page 3). Jeff's involvement in this specialized group allows him to utilize his valuation and consulting skills to help companies who are facing difficulties surrounding impending or current bankruptcy, as well as recovery and reestablishment following bankruptcy.

"Jeff's latest achievements are important signals to the business and legal communities that HLB Gross Collins, P.C. continues to provide the highest level of professionalism, expertise and integrity in the fields of business valuation, litigation support and strategic consulting," said Steve Gross, co-founder of HLB Gross Collins, P.C.

About HLB Gross Collins, P.C.

HLB Gross Collins, P.C. is an Atlanta-based full service certified public accounting and consulting firm that helps businesses and individuals increase and preserve their financial net worth. Serving clients both locally and around the globe, the firm offers:

- Tax Services
- Auditing and Assurance Services
- Business Consulting Services
- Valuation Services
- Personal Financial Planning
- International Services

This newsletter provides business, financial planning and tax information to clients and friends of our firm. None of this general information should be acted on without first determining its application to your specific situation. For more information, call the author, Pauline Reynolds or Richard Taylor.

HLB Gross Collins, P.C. is a member of **HLB** International.
A worldwide network of accounting firms and business advisors.

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Different Day, Different Economy, Different Plan

Carolyn Quinn

Recessions are like earthquakes, aftershocks and tsunamis: difficult to predict and only measured after they occur. It has been four years since the Indian Ocean earthquake and tsunami disaster that killed over 225,000 people. That was the second largest earthquake on record. Similarly, this could prove to be the second largest financial crisis in U.S. history. Recall images of December 2004 of holiday tourists strolling on the beach waiting to see some big waves--until it was too late. Figuratively comparing events should create a sense of urgency to take business to higher ground now and shed ourselves of any wait-and-see tactics.

Knowing when we will hit bottom is not as critical as constructing a new business plan that can work in an economic environment very different from the one we now see in the rear-view mirror. Business planning is now less about expansion and more about survival as once stalwart customers, vendors and competition quietly disappear. Business planning is now about doing more with less, and focusing more on the balance sheet. Variables which will be difficult to forecast include the trend line for future demand. Business owners in ostrich-mode would prefer to look past 2009, towards 2010 and beyond; without proper planning, they may not be around in 2010.

Business Tips on Planning for 2009 and Beyond

- **Revenue:** Candidly examine sources of revenue and eliminate or "mothball" marginal product/service lines. Use out-of-the-box thinking to look for products and services in demand as a result of recession that could become a side-business to supplement cash flow. Re-tool the business to meet the needs of customers and demographics predicted to rebound the quickest.
- **Customer Retention:** During downturns price often wins over relationships and added value. While discovering ways to cut operating costs, invest the savings to compete on price and expand market share. Help existing customers by finding ways to save them money.
- **Attitude:** The tone at the top of an organization is a driving force. Business owners must try to remain realistic, yet portray confidence that the business will thrive. Loyalty of uneasy customers and valuable employees will be rightfully challenged during uncertain times.
- **Leases & Owner-Occupied Commercial Space:** Consider leasing furnished vacant offices, along with shared services, to convert excess to *income*, particularly if owner-occupied.
- **Credit:** While developing the new business plan, it is essential to accurately estimate cash and credit requirements for the next three to five years using several likely scenarios. Simply *getting a loan* will not be adequate until a recovery occurs; it must be the right loan with sustainable terms and covenants.
- **Reduce Spending:** Centralize purchasing and storage of office goods to get a handle on what you have and what is being purchased. Minimize quantities kept on-hand. Limit the personnel who are authorized to order goods and services while lowering the dollar threshold for additional management approval. Consolidate vendors and suppliers so you can easily track total spending to leverage better discounts and pricing. Avoid "standing orders" to prioritize necessity over convenience.
- **Budgets:** Don't just have a budget. Measure and manage from a budget. When growing a business, it is easy to be diverted from lean operating procedures. Go through non-payroll items in the budget to see how cuts can be made through elimination, reduction or renegotiation using 20-25% as a savings target.
- **Payroll:** When budget cuts are necessary, often payroll is the first to go under the knife. Review all skill sets the most reliable employees have accumulated over their *entire career life*. An employee may have been hired for a specific job, but also have experience to perform additional jobs. In addition, recalculate the total compensation package and the cost to the company versus the benefit and/or revenue derived from each employee when making decisions about temporary layoffs.
- **Auto Expense:** No matter where gasoline prices are headed, have an auto expense policy that makes economic sense to the company. Rein in gasoline and other company credit cards issued to employees. Think about which job functions could be performed effectively by telecommuting. Certain states offer tax credits to businesses allowing employees to telecommute.
- **Fraud:** During periods of economic hardship there is always an increased risk of fraud. While business is slow, it is a perfect opportunity to document, implement and monitor stepped-up internal controls.
- **Continue Advertising and Promotion:** You may need to adjust marketing strategies and come up with new promotional ideas to keep customers and gain new ones. Even in periods of economic decline, it is important to continue advertising efforts to increase awareness of what you have to offer.
- **Exit Strategy:** Recall what the goals for the business were before the economic crisis. If selling the business or transferring it to a family member through succession planning was your vision, seek professional assistance to keep those goals in place.

A beneficial by-product of recession is natural purging of certain business sectors to create more efficient markets. Businesses must self-evaluate and undergo change in order to survive, often resulting in a very different-looking operation. Recession can bring opportunities if a business has a diversified plan that can weather the least-predictable changes in the economic climate.