

IN THE BLACK

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BRUCE A. RUKKILA, CPA, PC CERTIFIED PUBLIC ACCOUNTANTS

What we offer you:

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- T Business Plan Development
- T Personal Financial Statements
- T Financial Projections & Forecasts

Welcome back to “IN THE BLACK”

The goal of our newsletter is to share information and tips that are relevant to you and your business.

suggestions for us, visit our web site at www.brucerukkila.com, send us an email or give us a call.

If you have questions, comments or

Bruce Rukkila, President, CPA, CVA

Overtime Rules Change this August

For years, federal regulations covering overtime pay and who is entitled to receive it have come under fire from both employers and employees. To address these concerns, the US Department of Labor (DOL) has made extensive revisions to the rules dealing with overtime pay exemptions.

These regulations go into affect August 23, 2004.

The new regulations provide that some workers are *automatically eligible* for overtime pay for hours worked in excess of 40 in one week, no matter how much they earn. These specifically include nonmanagement production-line employees, and nonmanagement employees in maintenance, construction, and similar occupations.

In addition, most workers who earn less than \$455/week (or \$23,660/year) will now automatically qualify for overtime pay regardless of the type of work performed. Determining whether employees paid over \$23,660 per year are exempt from overtime pay requires analysis of their role in the work force. *Job titles alone do not determine an employee's exempt status.* The status of a particular employee will depend on whether the employee's salary *and* duties meet the regulatory requirements. The Fair Labor Standards Act (FLSA) spells out exemptions for those who are employed as executive, administrative, professional, computer professional, and outside sales employees. Each exemption has its own set of requirements.

Remember to review your overtime policies and make necessary adjustments to your payroll records/systems to be ready for the August implementation. Please contact us if you would like us to analyze your work force in regard to overtime consideration. Also, more detailed information is available from the DOL's web site at: <http://www.dol.gov/esa/regs/compliance/whd/fairpay/main.htm>

Did you know?

The IRS mileage rates for 2004:

< 37.5 cents a mile for all business miles driven



< 14 cents a mile when computing deductible medical or moving expenses

< 14 cents a mile when giving services to a charitable organization.

Tickets to events that benefit charitable organizations are 100% deductible if:

1. Main purpose is to benefit the organization
2. The entire proceeds go to the charity
3. The event uses volunteers to perform substantially all of the work

This means if you have a business entertainment expense that benefits a charity and complies with these three points, then it is 100 percent deductible rather than the normal 50 percent.

Emails are considered records not data and need to be included in your record retention policies.

Combining Business and Vacation Travel

Do you add vacation days onto your business travel?
Do you know what portion is tax deductible?

The general rule depends on the amount of time spent on each activity. If your business days, including travel days, out number your vacation days, then your expense for getting to your business location is deductible. If your vacation days are greater than your business days, the expense of getting there is not deductible, but any business expenses incurred while there can be deducted. (Remember meals and entertainment only qualify for a 50% deduction). If you extend your stay over a Saturday night to get a lower airfare, the meal costs and lodging for the extra day also qualify as business expense.

Does your family travel with you?
Only your airfare expense is deductible if you fly, but if you drive the total cost of driving to the location



is deductible. Make sure the lodging bills indicate the single rate for the room you occupy, the difference between the single and double room is not deductible.

Foreign travel has special rules. You must allocate your travel expense in proportion to the days you spend on business and personal. There is a seven day rule exception, if you return within seven days and your business days are a greater number than personal, the travel expense is deductible. Also if your travel is over one week and your vacation days are less than 25 percent of the time, your travel expense is still deductible.

As always the key to business deductions are good records. Keep a log of your business activities including dates and the purpose of your travel. For a free travel log call our office at 482-6601.

Per Diem Method of Substantiating Meals & Lodging Expenses

Use of per diem for away from home meals and lodging relieves you from keeping receipts, but you still need to substantiate the time, place and business purpose of expenses paid or incurred in traveling away from home.

You need to create an 'accountable' plan and pay at the applicable federal per diem rate, a flat rate or stated schedule.

Caution - sole proprietors may not use per diem rates for lodging expenses, only for meals and incidental expenses.

Succession Planning - Exit Strategies

In the Black, Spring 2004 introduced exit strategies for succession planning. In this issue we will continue the discussion with step 1-Setting Exit Objectives.

The beginning of any successful business plan requires the establishment of objectives, what is the desired end result? What goals do you want to receive and can you prioritize your goals?



As a beginning answer these questions:

1. What is the time frame? How much longer do you want to work in this business?
2. Do you want to receive a stream of payments or a lump sum when you exit?
3. How much annual after tax income do you want?
4. What do you want to do with your business?
 - a. Transfer to other family members?
 - b. Sell to employees?
 - c. Sell to an outside party?
 - d. Liquidate the assets and cease operating?
 - e. Is one of your aims to transfer wealth to your children?
5. What are your other assets? Will the sale of your business need to fund all of your retirement?

To help you answer these questions it is helpful to establish a team of advisors. You will need to consider investments and insurance, the tax aspects of the sale, and the legal issues. Plan to hire a CPA, lawyer, and an investment or insurance advisor.

When you are ready to talk about your exit strategy, call Bruce Rukkila, CPA at (906) 482-6601.

Loans to Family Members

The decision to lend money to family members needs to be considered seriously. Is this money you will need for your own financial security? If so saying no now may not be easy, but may be a better solution than trying to collect in the future.



If you choose to lend money:

- < Draw up a document - this will help establish this a loan and not a gift.
- < Set an interest rate - look at www.irs.gov for the applicable federal rates, any rate below this will result in taxable imputed interest for loans over \$10,000.

Beware of "Phishing" Identify Theft



Recently the internet has become the means of a cyber-crime know as "phishing." This involves emails which direct the recipients to fraudulent websites. These websites have been created to closely resemble legitimate sites that the recipient may be using. There is generally a request to update personal and financial information, which is subsequently used by identity thieves to commit fraud. If you receive one of these requests, **do not** give your personal information, call the service number on your last statement and inquire if this is a legitimate request. Be active in protecting your personal information.

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Return Service Requested