

IN THE BLACK

Volume 4, Edition 3

Fall 2004

BRUCE A. RUKKILA, CPA, PC CERTIFIED PUBLIC ACCOUNTANTS

What we offer you:

Auditing

- T Governmental
- T Nonprofit
- T Private

Tax Planning & Preparation

- T Individual
- T Business
- T Estate & Trust
- T Pension & Profit Sharing
- T Property & Excise Taxes
- T Nonprofit

Accounting Services

- T Payroll
- T General Ledger
- T Compilations
- T Reviews

QuickBooks® and Creative

Bookkeeping Solution

Consulting

- T Set up
- T Training
- T Support

Additional Service Areas

- T Business Valuations
- T Financial Reorganizations
- T Human Resource & Benefit Consulting
- 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.

If you have questions, comments or suggestions for us, visit our web site

at www.brucerrukkila.com, send us an email or give us a call.

Bruce Rukkila, President, CPA, CVA

Cut Turnover -- Show Employees Total Payroll Costs

Your business pays a high cost every time a valued employee leaves to work elsewhere. Think of what you spend on advertising the position, interviewing candidates, and training a replacement. High employee turnover may also result in a loss of productivity, lost sales, and even lost customers.

If you think you have high employee turnover, use this measurement: Divide the number of employees who leave during the year by your average total number of employees. See how you compare to the 10.8% national median annual turnover rate.* Median turnover rates exclude layoffs, staff reductions, and departures of temporary employees.

Then, identify the reasons your employees are heading for the exit. In many cases, employees leave an employer because of dissatisfaction with their pay. This is a problem you may be able to overcome by demonstrating to employees that pay consists of a lot more than the number on their paychecks.

In fact, the Bureau of Labor Statistics recently reported that private industry benefit costs averaged \$6.65 per hour, or 28.5% of total compensation costs, as of March 2004. Specifically, legally required benefits averaged \$2.01 (8.6%) per hour worked, insurance benefits averaged \$1.65 (7.1%), paid leave worked out to \$1.50 (6.4%), retirement and savings averaged \$0.80 (3.4%), and supplemental pay averaged \$0.66 (2.8%) per hour worked.

Cut Turnover -- Show Employees Total Payroll Costs (continued.)

By putting together an annual total compensation statement that shows the dollar value of all benefits, you can let your employees know how much you really compensate them.

Be sure to consider all compensation, mandatory and voluntary, in your total compensation statement. Include the following:

- o Wages
- o Health Coverage
- o Life and Disability Insurance
- o Workers' Comp. Insurance
- o Sick Leave
- o Social Security Taxes
- o Dental Insurance
- o Retirement Plan
- o Unemployment Taxes
- o Vacation Time

You can maximize the impact of your statement by attaching a dollar value to each category and then highlighting the total amount of compensation at the end of the statement.

Comparing employer turnover rates from year to year can give you an idea if the problem is under control or getting worse. If your business regularly experiences above-average turnover rates, you should be willing to consider a variety of strategies to fix the problem. And creating an annual total compensation statement is one tool out of many that you can use to tackle this expensive problem.

Health Savings Accounts (HSAs)

HSAs are designed to help individuals save for medical expenses on a tax-free basis. HSAs are similar to the Archer MSA program, which expired on 12/31/03.

Beginning in 2004, eligible individuals who are covered by a high-deductible health plan can contribute to an HSA. Contributions are tax-deductible, and distributions for qualified medical expenses are not included in income. Contributions may be made by employers on a pre-tax basis, and the benefit may be offered through a cafeteria plan. Unlike Archer MSA's if there is an unused balance in an HSA at the end of the year, the balance rolls over to the next year.

The IRS has recently issued notice 2004-50 which offers guidance about eligibility, contributions, distributions and account administration for HSAs. This notice can be accessed through the IRS website

www.treas.gov/press/releases/reports/hsanotice200450072304.pdf

Free Credit Reports

Consumers in all states will soon be able to request a free credit report annually from each of the three major credit bureaus -- Equifax Inc., Experian, and Trans Union. It's important to check your report at least once a year, and before making a major purchase, to make sure there are no errors. The free credit report program will start in December for people who live in Western states. Midwestern states' residents can request free reports starting March 1, 2005. If you live in a Southern state, you have to wait until June 1, while Eastern states' residents can't request a free report until September 1 of next year.

Business Briefs

Deposit Deadlines for 401(k) Plans. Employers that sponsor 401(k) plans should deposit 401(k) salary deferrals and other employee contributions as early as possible. The U.S. Department of Labor (DOL) determines the normal deadline for an employer based on how quickly the employer usually deposits elective deferrals and how quickly payroll amounts (such as taxes) are transferred electronically. Depositing by the 15th business day of the next month may lead to problems. Form 5500 now includes a question that requires the employer to check the box if it did not transmit to the plan trustee any participant contributions within the time required by the regulations.

Get Ready To Say Goodbye to the Float

Going, going, gone. That'll be the fate of the float, thanks to a new law, the Check Clearing for the 21st Century Act (also known as "Check 21"), which takes effect on October 28, 2004. Businesses that rely on the float to help them out during periods when cash is tight may want to start rethinking some of their cash flow practices.

The Nuts and Bolts of Check 21

Check 21 permits financial institutions to convert paper checks to digital images that are then processed electronically through the banking system. Because paper checks won't have to be physically transported, the checks your business writes will clear within 24 hours and sometimes immediately. Check 21 also authorizes financial institutions to produce "substitute checks" from digital images of original checks. The law allows these substitute checks to be used for proof of payment or for any other purpose that might require an original cancelled check.

What the New Law Means

The most obvious impact of the new law is that you'll no longer be able to take advantage of the float. The days when you could write a check to a supplier on a Tuesday intending to cover it with payments you expect from customers on a Friday will be no more. As a result of Check 21, your business should only write a check when it has funds to cover it. What's more, you may have to rethink and retool the way you collect receivables if you want to ensure an uninterrupted cash flow.

One apparent advantage of Check 21 is that it should enable your business to get its hands on customer payments more quickly. That, however, may not be the case since the new law doesn't impose any requirements on banks to reduce their check hold times. Banks, unlike other businesses, can still take advantage of the float if they want to.

Whether or not Check 21 will be an issue for your business, an effective system for managing cash flow is critical to your company's long-term health. Our firm can assist you in identifying cash management planning problems and developing an effective cash management program.

"As a result of Check 21, your business should only write a check when it has funds to cover it."

LLC Status Protects Members

Limited liability company members are usually not personally liable under state law for debts of the LLC. As a general rule the IRS (Rev. Ruling 2004-18) cannot collect employment taxes owed by an LLC from the LLC members. Be aware that there are circumstances in which the IRS can collect LLC debt from members, including trust fund recovery penalties or penalties in the case of fraudulent transfer of assets from the LLC to its members.

Do you have Human Resource related questions?

Would you like help establishing hiring procedures?

Call Bruce A. Rukkila, CPA, PC at 906-482-6601 and ask for Patti our HR specialist.

Bruce A Rukkila, CPA, PC

310 Shelden Avenue

Houghton, MI 49931

Phone: (906) 482-6601* Fax: (906) 482-9046

Email: bruce@brucerukkila.com

IN THE BLACK

Who We Are and How to Reach Us...

**Bruce A. Rukkila, CPA, CVA
President**

bruce@brucerukkila.com

**Patti Kearly, CPA
Senior Accountant**

patti@brucerukkila.com

**Sheri Wanhala
Secretary/Receptionist**

sheri@brucerukkila.com

**Debbie Bradford
Audit Supervisor**

debbie@brucerukkila.com

**Susan Binkley
Senior Accountant**

susan@brucerukkila.com

**Sara Marcotte
Staff Accountant**

sara@brucerukkila.com

**Jean Middleton, CPA
Commercial Accounting**

jean@brucerukkila.com

**Jackie Ketola
Senior Accountant**

jackie@brucerukkila.com

**Angel Peters
Paraprofessional**

Angel@brucerukkila.com

**Mary Rowe, CPA
Senior Accountant**

mary@brucerukkila.com

**Tom Sturos
Senior Accountant**

tom@brucerukkila.com

**Gina Dunstan
Office Manager**

gina@brucerukkila.com

Telephone: (906) 482-6601 Fax: (906) 482-9046

www.bruceukkila.com

Bruce A. Rukkila, CPA, PC

310 Shelden Ave.

Houghton, MI 49931

Return Service Requested