

IN THE BLACK

Volume 3, Edition 2

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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® 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

Next Issue ...GASB 34—Making dramatic changes to the way state and local governments report.

Investment Technology for Small Business Tips for Success!

- < Outsource: Find an IT firm and a technician who is interested in providing services to your company. This provides an entire firm at your service – not just one of your staff for problems that crop up.
- < Use established technology: Find existing technology. Spend your time doing what you do best – running your business. You don't need to waste your time recreate the wheel.
- < Identify the feature that is most important to you when searching for new cell phones, PDAs, and laptops. Shopping for this feature will simplify the search process.
- < Upgrade your desktop computers. Most computers should be updated every three years.
- < Don't look for that second hand bargain. Any savings could be negatively affected by missing new technology and the lack of product support.
- < Be conscious of your warranties and what they cover.
- < Standardize your hardware and software and remember to keep all your server patches up to date.

Have you visited our web page at www.brucerrukkila.com lately. We frequently update with new tips, accounting news, announcements and office happenings. Put a face with a voice – take a moment to stop by and meet our staff at www.brucerrukkila.com/contact.html#staff.

QuickBooks® Tips

Protect your financial data and reports. Use passwords and permissions to limit employees from viewing financial information or changing data they are not responsible for. Your QB administrator can set up passwords on the Company menu and also limit the areas that each person can access in QuickBooks®.

Get an overview of your month-to-month activities. Print reports with 12 months on one page by following these steps:

- 1) From the Reports menu, choose Company & Financial, then Profit & Loss
- 2) When the report is displayed
Change the following on the reports button bar:
 - i. The date range to 12 months
 - ii. Columns from Total only to Month
 - iii. Choose Collapse
- 3) Choose Print
- 4) Change the orientation to Landscape
- 5) Check the box "Fit report to 1 page(s) wide"
- 6) Choose Preview
- 7) Choose Print
- 8) Choose Memorize and name the report Profit & Loss by Month

You can also create 12-month reports for other summary reports such as Income by Customer, Expenses by Vendor, Balance Sheet, Sales by Customer, etc.

2003 Tax Planning

Following is a list of tax-saving strategies for 2003:

- T Contribute regularly and early to tax-deferred savings plans. You receive a double benefit of lowering taxable income now while building your retirement funds.
- T Consider tax-sheltered education plans. See our web site and previous issues (Fall & Winter 2002 and Spring 2003) of *In The Black* for discussions on the various education plans. <http://www.bruceukkila.com/newsletter.shtml>
- T Review your 2002 taxes:
 - If your Federal refund for 2002 was more than \$500, you in effect gave Uncle Sam a tax-free loan. Consider lowering your withholding on your W-4 form with your employer.
 - If your tax bill was at least 10 percent more than the amount withheld from your paycheck, adjust your W-4 withholding upward to avoid

Cafeteria Plans

Section 125 - Cafeteria Plans (Also referred to as salary reduction plans, flexible benefit plans, flexible spending accounts, or cash-in-lieu of plans. All are regulated by Internal Revenue Code Section 125.)

Cafeteria plans give employers the ability to allow employees to purchase certain fringe benefits with pre-tax dollars, thus reducing the employees' share of premium rate increases and boosting their spendable income. Employees save 25-40%, depending on their individual tax bracket, on each pre-tax dollar by saving State, Federal, and FICA taxes on the contributed dollars. **The employer saves the matching FICA tax, which in most cases, more than covers the administration cost of the plan.** The more money employees set aside, the more savings to you, the employer.

Cafeteria Plans can cover:

- , Group Health Insurance Premiums
- , Out-of-Pocket Medical, Dental and Vision Expenses
- , Dependent Care Expenses

For expanded descriptions of items covered, plan costs, and how Bruce A. Rukkila CPA, PC can help you visit us at www.bruceukkila.com/sbctips.shtml.

Tax Relief Reconciliation Act of 2003

On May 28, 2003, President Bush signed the Tax Relief Reconciliation Act of 2003 into law. A number of provisions of the new act are actually accelerations of tax cuts included in the Growth and Tax Relief Reconciliation Act of 2001.

Major provisions of the new bill include:

- **Accelerated 10-Percent Bracket Expansion:** The 10-percent tax bracket increases from \$12,000 of taxable income to \$14,000 for married couples (and from \$6,000 to \$7,000 for single taxpayers).
- **Accelerated Reduction in Income Tax Rates:** New 2003 rates of 25%, 28%, 33% and 35%. These reductions benefit married couples with taxable income greater than \$47,450 and single taxpayers with taxable income greater than \$28,400.
- **Accelerated Reduction of Marriage Penalty:** These reductions benefit married couples who claim the standard deduction or who have taxable income greater than \$47,450.
- **Accelerated Increase in Child Tax Credit:** The amount of the child tax credit is increased to \$1,000. The increased amount of the child tax credit will be paid in the form of an advance or rebate beginning in July 2003. The IRS will determine who qualifies and mail advance notices to all qualifying taxpayers. If you think you qualify for the rebate all you have to do is wait to receive your check. The checks will be mailed beginning on July 25 and in two subsequent mailings scheduled for August 1 and August 8. Later mailings after August 8 will be for qualifying taxpayers who filed after April 15.
- **Reduction in Tax Rates on Dividends and Capital Gains:** The maximum tax rate on dividends paid by corporations to individuals and on individuals' capital gains is reduced to 15% in 2003 through 2008. For taxpayers in the 10% and 15% ordinary income tax rate brackets, the rate on dividends and capital gains is reduced to 5% in 2003 through 2007, and to zero in 2008. The new rates apply to capital gains realized on or after May 6, 2003, and to dividends received in 2003 and after. This provision reduces the double taxation of corporate earnings.
- **Increase in Small Business Expense Election for Equipment Purchases:** The amount that may be immediately deducted by small businesses for the purchase of equipment is increased to \$100,000 beginning in 2003. The amount of purchases qualifying for this deduction begins to phase out for small businesses with purchases in excess of \$400,000.
- **Increase in First-Year Bonus Depreciation:** The additional first-year bonus depreciation deduction is increased from 30% to 50% for investments acquired and placed in service after May 5, 2003 and before January 1, 2005. Taxpayers may also continue to use 30% bonus depreciation for property acquired and placed in service before January 1, 2005.

For additional details check out www.brucerukkila.com/taxtips.shtml

Family Business Planning

A recent survey indicates that 40% of family businesses will change leadership in the next 5 years. Do you know what kind of preparation is needed for a smooth transition? Here are a few items to consider:

- ' Identify a successor
- ' Train your successor so they receive the necessary experience to succeed
- ' Consider gradually cutting back on your hours to ease the transition
- ' Set up a family employment policy
 - Work and education requirements
 - Application and interview process
 - Set measurable results for promotions, compensation, etc.
- ' Use buy-sell agreements, prenuptial agreements and other liquidity policies to help protect the business and the family
- ' Know the value of your business for estate-tax and buy-sell purposes
- ' Consider forming an advisory board to help ensure your business's future and develop a business

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Return Service Requested