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THE ADVISOR

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2008 Economic Stimulus Act

By Kathryn Lanius, CPA

SUMMARY: On February 13, 2008, President Bush signed the *Economic Stimulus Act of 2008* (the Act). The Act was designed to infuse money into the economy through individual tax rebates and business incentives.

While individual tax rebates have received the most media attention, the business incentives could prove to be particularly advantageous for a range of business entities. The Act increases the expensing allowance for depreciable business assets and reinstitutes bonus depreciation.

Individual Tax Rebates

The Act provides individual taxpayers with rebates of up to $600 ($1,200 for married couples) and additional $300 rebates for each child younger than 17. In order to qualify for the rebates, individuals must file a 2007 tax return and have at least $3,000 in qualifying income. Individuals with income from $75,000 to $87,000 (married taxpayers filing a joint return with income from $150,000 to $174,000) will receive partial rebates. Single taxpayers with income in excess of $87,000 ($174,000 married filing jointly) will not be eligible to receive any tax rebates, either for themselves or for their children. The IRS began issuing the rebates through direct deposit in May 2008 and will continue issuing rebate checks by mail through July 2008. Amounts received from the rebates are not includable in taxpayers' 2008 taxable income.

Expensing Allowance

Under Section 179 of the Internal Revenue Code, a taxpayer may elect to expense the cost of qualifying property, rather than recover these costs through yearly depreciation. Qualifying property generally includes depreciable tangible personal property, both new and used, that is purchased for use in the active conduct of a trade or business. For tax year 2007, taxpayers were permitted to expense up to $125,000 of qualifying property, with a dollar-for-dollar phase-out

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Managing Partner Message

David Resnick, CPA
Managing Partner

We are pleased to announce that effective August 1, 2008, Heaton : : Eadie, a full-service accounting firm with specific expertise in the areas of healthcare and employee benefit plan accounting and consulting, merged with Katz, Sapper & Miller. Heaton : : Eadie professionals are very well-respected and will bring new service opportunities to Katz, Sapper & Miller clients as our firm continues to grow.

Katz, Sapper & Miller and Heaton : : Eadie have dedicated significant time and resources in growing our healthcare and employee benefits consulting groups. This merger brings together two highly respected firms in each area. We are pleased that our firms share the same values and visions regarding the quality of our work and our dedication to client service.

With this merger, our combined expertise will allow us to strengthen our industry reach. Our staffing will remain unchanged; our current relationships and services provided to you will continue without interruption. All Heaton : : Eadie partners and staff members will join Katz, Sapper & Miller and will continue to serve their existing clients. As a result of the merger, Heaton : : Eadie clients will have access to expanded accounting, auditing, tax and consulting services provided by Katz, Sapper & Miller.

Please feel free to contact me should you have questions regarding this exciting announcement. We look forward to continuing and enhancing our relationship with you.

David Resnick is the Firm's Managing Partner. David can be contacted at 317.580.2090 or dresnick@ksmcpa.com.

Non-Deductible IRA vs. Taxable Investment Account Contribution

By Peter Reist, CPA, CFP™
KSM Capital Advisors

SUMMARY: Income limitations prevent many taxpayers from making tax-deductible contributions to a traditional IRA or after-tax contributions to a Roth IRA.

For a married couple in 2008, $169,000 is the adjusted gross income limit to make a Roth IRA contribution; $103,000 is the income phase out limit for a tax-deductible Traditional IRA contribution (or $166,000 if only one spouse is covered by an employer retirement plan). Once the taxpayer's income exceeds these IRA phase out levels, the maximum 401(k) plan contribution ($15,500 per year if under age 50 or $20,500 per year if at/over age 50 by December 31) or SEP contribution (20% of adjusted net self employment income) tax-advantaged savings accounts options become limited.

The question often asked is, "Which is the better decision… to make annual $5,000 contributions to a non-tax deductible IRA ($6,000 for age 50 and over) or add to a taxable investment portfolio?"

There are a several ways to address this question:

Non-Deductible IRA vs. Taxable Account - Even though the initial IRA contribution is not deductible, if the taxpayer's income exceeds the phase out limits referenced above, the investment earnings grow tax free until withdrawal. Upon withdrawal, the investment earnings will be taxed at ordinary income rates applicable at that time. One can wait to withdraw funds until required minimum distributions begin at age 70 ½. In a regular taxable investment account, taxes are deferred on capital gains until sold. If stocks or bonds are held for at least a year before selling, they will be taxed at the long-term capital gains rate, currently 15% or less. Qualified dividends, which are taxed when received, are also currently at a 15% tax rate. However, short-term capital gains on stock sales, taxable interest and non-qualified dividends (such as from bonds or REITs) are taxed as ordinary income, which can be as high as 35% for federal taxation.

The best choice between a non-deductible IRA and a taxable investment contribution will depend on several factors as outlined:

The tax characteristics of a portfolio - If a portion of the taxable investment portfolio includes a strategy of moderate to high turnover (buying and selling of equity positions or other ordinary income generating investments) then the tax shelter of an IRA provides more benefit compared to the short-term capital gains tax incurred on the returns of the taxable account. Conversely, if the returns on a taxable account are primarily deferred capital gains, then the taxable investment account is the best choice. In this situation the long-term capital gain tax treatment is more preferential than ordinary income taxation of IRA earnings upon withdrawal. Often the choice is less clear, because most investors' portfolio returns include a mix of different taxable components (i.e. some combination of interest income, qualified and non-qualified dividend income, short-term capital gains and unrealized appreciation or long-term capital gains). When this occurs, additional factors must be included in the analysis such as investment time horizon and the marginal tax bracket of the individual investor.

The time horizon of the investment portfolio -The liquidity needs of the investor must be factored into the decision. In nearly all cases when access to the funds will be required in a relatively short time frame (i.e. 5 years or less), a taxable investment account will be the better choice. In most cases the IRA cannot be accessed without a 10% tax penalty prior to age 59 ½ and this penalty will negate most or all of the tax advantages of the IRA earnings deferral. However for investors who have more years to save and accumulate earnings before needing to access the funds, the IRA will generally be the better choice. Furthermore, the marginal value of the IRA increases at an increasing rate the more years it can accumulate earnings tax deferred. There are some "gray zones" depending on the investor's marginal tax rate. Once again the choice between the non-deductible IRA and the taxable investment account is less obvious.

The marginal tax rate of the investor - High tax bracket investors who are close to retirement, or close to needing to access the funds, are usually better off using the taxable investment account. Analysis shows that beginning at about a 28% tax bracket, an investor is better off with a taxable investment account than a non-deductible IRA. This relationship holds true as the tax bracket increases from 28% to 35%, with an investment time horizon between 0-15 years before accessing the funds. With a higher tax bracket/shorter investment time horizon, it is more advantageous to pay a 15% tax rate on qualified dividends and long-term capital gains in the near term compared to paying a higher ordinary income tax rate on future IRA withdrawals.

The recommendation of which account is best will depend not only on the current marginal tax bracket, but also on the expected tax bracket at the time when one can (or must) begin taking IRA required minimum distributions. The following chart, and the conclusions in the prior paragraph, assume an investor maintains a constant tax bracket both pre and post retirement. This may or not be the case. As a rule of thumb, as the marginal tax rate decreases, the non-deductible IRA becomes more advantageous.

Future Roth rollover - In 2010, there will no longer be any income restrictions for Traditional-to-Roth IRA rollovers. Assuming no law changes, making a non-tax deductible contribution to a Traditional IRA in 2008 is effectively allowing a contribution to a Roth IRA down the road. Since taxes have already been paid on the non-deductible IRA contributions, only income tax on the earnings portion will be due when this IRA rolled over. Later, instead of having to pay ordinary taxes upon withdrawal, no tax will be paid (assuming it meets the qualified withdrawal rules), and there

Continued on page 11. See "Non-Deductible IRA."

INDUSTRY CORNER - TRANSPORTATION

Historic Fuel Prices - An Alternative Attitude

By Bruce Jones, CPA
KSM Transport Adviosrs

SUMMARY: While current fuel prices pose severe challenges for many, perhaps these prices will also bring needed changes and opportunity for those with an alternative attitude.

During the last several weeks, the media has been filled with reports regarding escalating fuel prices. Words like: "explosive," "uncharted territory," "unprecedented," "record breaking," and "historic" with their frightful connotations have been used to describe the current situation and potential ramifications. Many suggest the prices may remain high for an extended period of time and consequently reshape fundamental activities of both consumers and businesses.

Within the trucking industry, where bankruptcies are closely correlated to diesel prices, there are approximately 1,000 business closures a quarter. Clearly, the $4+ per gallon fuel prices hardly seem to create an environment supportive of postive thinking for many business owners and executives. Yet, a closer look at the situation and a reminder of historic lessons may encourage an alternative attitude. Consider the following:

Focus of purpose is the secret of success (according to Thomas Edison) – The extreme focus driven by the suffocating prices is spawning an incredible list of new initiatives to reduce fuel consumption that will be extremely beneficial for years to come. Consider a partial list of the management actions being taken by many trucking companies as an example:

- Reduction of engine idle times
- Improvements in equipment aerodynamics
- Increased tire inflation inspections and use of wide-base tires
- Use of low-viscosity lubricants
- Use of fuel and lane optimization programs
- Lowering electronically controlled speed governors
- Installation of auxiliary power units (APUs)
- Increased use of intermodal shipping
- Real time monitoring of onboard fuel consumption dynamics
- Use of hybrid powertrain technology and biodiesel blends.

Strategic opportunity – Professor Zhang, at the Wharton School of Business, in the May 1, 2008 issue of *USA Today* stated "When costs increase for everybody, you get a huge competitive advantage if you do something just a little bit differently." In other words, there are strategic opportunities currently available for those able to manage more efficiently than their competitors.

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New incentives for cooperation – The common effect has started to promote new levels of cooperation. This can be seen within the trucking industry where the annual expenditure for fuel has increased from $106 billion in 2006 to a projected $154.1 billion for 2008. The federal government (through the Environmental Protection Agency) is sponsoring and funding a partnership of shippers and freight carriers called the SmartWay Transport Partnership. The program has attracted approximately 800 partners and is growing at the rate of 30 new partners a week. Both shippers and carriers are encouraged to implement a list of fuel saving initiatives, some that are interdependent, gaining not only cost savings, but also national recognition for environmental improvements and progressive leadership. In another example, recently a logistics company held a shipper symposium near the headquarters of Wal-Mart. It approached approximately 120 shippers (including Wal-Mart) and motor carriers to discuss not only how to deal with the high fuel prices, but also how to lower greenhouse gas emission levels.

National Initiatives – Increasingly, industry associations are actively requesting federal government assistance to promote needed changes. Consider the American Trucking Association's recent request of the federal government:

- Stop filling and instead release oil from the Strategic Reserve
- Establish a national diesel fuel standard
- Allow environmentally responsible development of crude resources
- Work with all state attorney generals to combat any price gouging
- Continue to fund the EPA's SmartWay Transport Partnership program
- Streamline regulatory framework for refinery applications
- Require speed limiters set for 68 mph or lower on all new trucks
- Set a national maximum speed limit of 65 mph
- Suspend collection of 12% excise tax on auxiliary power units to promote their use
- Close federal loophole that provides a tax benefit for the exportation of biodiesel.

This article was contributed by KSM Transport Advisors. Katz, Sapper & Miller, LLP and KSM Business Services, Inc. are not responsible for the contents of this article, or any changes or updates. For more information about KSM Transport Advisors, please call Bruce Jones, President at 317.580.2000.

Preventing Profits from Walking Out the Door

By Jason Patch, CPA

SUMMARY: Fraud is a cost to any business, but can be mitigated through identifying areas of weakness, strengthening controls and educating personnel with regard to the risks and implications of fraudulent schemes.

The topic of fraud is seldom discussed in many small to medium-sized businesses because employers tend to trust the colleagues with whom they have built relationships through their daily interactions. The unfortunate reality is the risk of loss due to fraud is significantly greater at a small to medium-sized business than their larger counterparts. The reason is because many business owners believe they will not become the victims of fraud.

Temptation or personal financial pressures can push even the hardest working, most trusted employee to perpetrate fraud. The incentive to commit fraud is in the headlines daily. Unemployment is on the rise. Gas prices are sky rocketing. The economy is in a recession. Each of these realities can provide incentives to individuals to commit fraud.

The goal should not be to suspect every employee of being a thief or to question their every action, but to remove or minimize the temptation and opportunity to commit fraud. Inherently, most employees will have the right intentions, but even the best intentions can be overcome with basic human needs. The first step in mitigating fraud is to inform employees that the company is looking for discrepancies. Perception can be a strong ally in minimizing the risk of fraud. While some ideas may seem like common sense, many are lacking in daily management.

Identify areas of weakness in operations that may be providing the opportunity for fraud. Once identified, consult with the appropriate parties both internally and externally to determine processes that can be implemented to minimize the opportunity, strengthen controls and determine which risks are acceptable. Opportunities to

Continued on page 7. See "Fraud."

The ESOP Opportunity

By Andy Manchir, CMA

SUMMARY: Many business owners are considering Employee Stock Ownership Plans (ESOPs) as part of their succession planning strategy. As a tax-advantaged alternative to a third party sale, a sale to an ESOP should be considered by a business owner assessing succession planning options.

ESOP Sale Alternative

The idea of having key managers and employees take over the operations when they retire is one that has appeal to many business owners. However, many of these key employees have limited capital to fund a management buyout. Using an ESOP as part of a buyout structure can make the transaction possible.

An ESOP is permitted to borrow funds in order to acquire company stock. A buyout is thereby financed in a more tax-efficient manner, since the ESOP compensation expenses recorded for employees allows repayment of loans with pre-tax (not after-tax) dollars.

Benefits of Sale to an ESOP

The Federal tax code contains provisions that favor the sale of company stock to an ESOP. Shareholders who sell to an ESOP can defer capital gains tax payments on their proceeds, when following the guidelines set forth under Code Section 1042 of the Internal Revenue Code.

Additional tax advantages for the company exist, most notably for "S" corporations. An "S" corporation ESOP is not taxed on its share of the corporate earnings. The taxes are deferred until employees take distribution from the plan upon retirement, death, disability or termination.

Forming an ESOP can also lead to the development of an employee-ownership culture, one that empowers and rewards employees for their efforts. However simply forming an ESOP will not give a company an “ownership culture.” Two primary ways to encourage employees to think and act like owners is to demonstrate the financial benefits of ownership and share company performance data in a way that emphasizes how each work group contributes to the company’s success.

Indiana ESOP Initiative

Indiana State Treasurer Richard Mourdock recently launched the “Indiana ESOP Initiative” (IEI) for the purpose of assisting Indiana businesses in becoming ESOP companies. Prior to running for statewide office, Mourdock served as an officer of an ESOP-owned company. This direct experience with the benefits of employee ownership served as the catalyst for his support of ESOPs as State Treasurer.

The Indiana ESOP Initiative will allow for a “Linked Deposit” program that will reduce the borrowing costs for an ESOP’s acquisition of company stock. Once a company has arranged for an ESOP loan with its local bank, the Treasurer’s office will make a ‘linked deposit’ in the form of a CD with that bank. The State will then take a reduced rate of interest on that CD and the bank will fund the ESOP loan at reduced rates of interest.

Indiana has designated $50 million of state funds that may be used in this manner, with the intention that ESOP formation will help to preserve Hoosier jobs. “It’s not only critical that the state continues to bring in new jobs to Indiana, but it’s absolutely essential that Indiana keeps the jobs it currently has,” asserted Treasurer Mourdock in the IEI press release. “IEI’s mission is to encourage Indiana businesses to become ESOP companies and preserve Hoosier jobs.”

Considering the ESOP Option

Owners often have invested decades of effort to build business value. A liquidity event will eventually occur to provide for their retirement and estate planning needs.

When owners are considering succession plan options, an ESOP should be among the opportunities they consider. The ESOP opportunity could offer a “win-win” alternative for both owners and employees.

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Fraud (Continued from page 5)

commit fraud will likely not be eliminated, but they can be minimized.

Educate owners and employees regarding the risks of fraud and the implications thereof, both to the individual and the company. Education should be centered on why fraud occurs, how to recognize it and what to do if an individual suspects fraud. Employees are management's eyes and ears and will report concerns, if a defined avenue is provided.

Conduct surprise audits throughout the year. A surprised individual will be limited in ways to conceal a fraud. Audits can and should be both internal and external. While the company may not need or require an audit, fraud prevention services such as an internal control review may be more appropriate for current needs. Not only will an internal control review identify areas of weakness, but it may identify operational inefficiencies that are currently unnoticed by management.

There is not one specific answer to identifying fraud. Warning signs may vary and may not even exist, depending on the situation. Items to consider in assessing the current risk:

- Do internal accountants have direct supervision?
- Are they responsible for all aspects of the accounting process with limited segregation?
- Do they often work after hours, work insistently at home and continually misplace files and other documentation?
- Are there any sudden changes in behavior (i.e. standard car traded in for the luxury car)?
- Is there a reluctance to take extended vacations?

While some of these traits should not be mistaken for a hard working, trusting employee, they are factors to consider in assessing fraud risks in business environments.

Fraud is a cost to any company; a cost of business that typically goes unspoken until it is too late. The key is to be proactive. Identifying weaknesses and taking action before the fraud occurs will lead to successful management of fraud risks.

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Understanding At-Risk Rules

By Doug Rubenstein, CPA

SUMMARY: In the past several years the issue of At-Risk basis for taxpayers with losses from investments in activities has become a larger issue not only for taxpayers, but also for the Internal Revenue Service (IRS).

With the growth of Limited Liability Companies (LLC) over the past two decades, the IRS is starting to take a closer look at losses deducted by taxpayers. The IRS wants to make sure that taxpayers have an economic risk of loss with regard to their investments that are generating losses. The At-Risk rules are applied under Internal Revenue Code (IRC) Section 465 and generally apply to individuals and certain "C" corporations. With a majority of LLCs and "S" corporations owned by individuals, the focus of this article will be on the At-Risk rules for individual investors.

Activities Subject to At-Risk Rules

Prior to January 1, 1978, only certain activities were subject to the At-Risk rules. These activities listed under IRC Section 465(c)(1) include:

- Holding, producing or distributing motion picture films or video tapes
- Farming activities
- Leasing of personal property
- Exploring or exploiting of oil and gas resources or geothermal deposits.

Starting with taxable years after December 31, 1977, IRC Section 465(c)(3) was added to broadly expand the number of activities subject to the At-Risk rules. The rules were expanded to include any activity engaged in by the taxpayer in carrying on a trade or business, or for the production of income, including the holding of real estate. This expansion of the rules generally requires the investor or its tax advisor to calculate their basis in each activity, to make sure there is enough At-Risk basis to take any losses from the investment. When determining if a taxpayer has enough At-Risk basis for losses each investment is viewed as a separate entity and is generally not combined with other activities.

Amounts Subject to At-Risk Rules

IRC Section 465(b) states that the amount a taxpayer is considered At-Risk, with regard to an activity, includes:

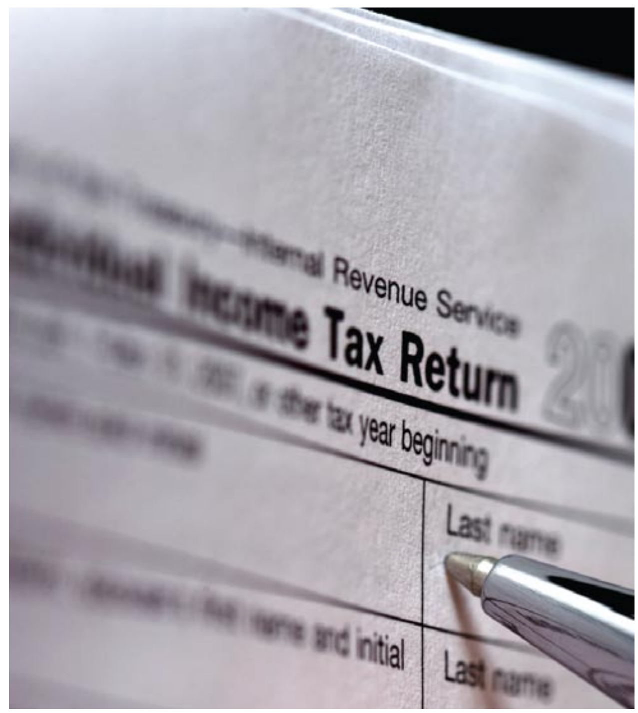
- Cash and the basis of property, net of liabilities, contributed and distributed to or from the activity
- The borrowings of the activity
- The taxpayer's share of the net taxable income or losses, including tax exempt income and expenses related to the tax exempt income, earned by the activity.

In order for any contributed property to be considered for the At-Risk basis rules, the taxpayer's investment must have an economic risk of loss. Therefore, if any assets contributed or loaned to an investment by a taxpayer are protected against loss, then those contributions or loans will not be considered as part of the At-Risk rules because there would not be an economic risk of loss with regard to those specific assets.

Regarding the borrowings contributed activity, there are several types of liabilities as defined by the Treasury Regulations under IRC Section 752 and they are:

- **Nonrecourse Loans –** Loans in which the owners do not bear an economic risk of loss. An example of a nonrecourse loan is accounts payable. If the entity was not able to pay off the accounts payable, none of the members would generally be required to pay off the debt since they would not have the economic risk of loss. In this situation, none of the owners would be able to utilize the accounts payable as At-Risk basis for losses since none of the owners would bear the economic risk loss.

- **Recourse Loans** - Loans in which a owner would bear an economic risk of loss. An example of a recourse loan would be a direct loan from a member. If the entity was not able to repay the member loan and that member's loan is not protected against loss, the member making the loan would have the economic risk of loss and therefore, would be able to utilize the loan as basis for At-Risk basis purposes. However, if the member had the right of recovery against the other members of the LLC, then that loan would not be subject to economic risk of loss. Therefore, the member would not be allowed to utilize that loan for At-Risk basis.



- **Qualified Nonrecourse Loans** - Loans made to the entity with respect to a real estate activity. In order for the loan to qualify as a qualified nonrecourse financing, all of the following must be met:
  - The taxpayer must incur the indebtedness with respect to the activity of real estate
  - With some exceptions, the loan must be secured by real property
  - The lender must be actively engaged in the business of making loans; a federal, state or local government makes the loan; or the loan must be guaranteed by a federal, state or local government

- There cannot be anyone liable for repayment of the loan
- The loan cannot be considered convertible debt.

If the loan meets all of the above requirements, then the loan is considered qualified nonrecourse and would be subject to the At-Risk rules. Therefore, a member of the LLC would be allowed to utilize their applicable share of the loan as basis when taking into account its share of the loss from the activity.

"In order for any contributed property to be considered for the At-Risk basis rules, the taxpayer's investment must have an economic risk of loss."

It is critical for the investor or tax advisor to have a general understanding of the At-Risk rules. Understanding the rules is vital as it will determine if an investor's current-year losses from an investment are allowable or suspended to a future tax year. The rules are complex, and this article only scratches the surface of these rules. Therefore, it is highly recommended that the investors consult with their tax advisors when they have incurred a loss from an investment activity.

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Interviewing and Recruiting Generation Y

By JoDee Curtis, CPA

Who is Generation Y? They are ages 19-30 and the fastest growing segment of our workforce; 24% of the current workforce. They are independent and team ready, have high expectations, are socially responsible, adaptable, speedy, tech savvy and optimistic, not to mention high maintenance.

What is Generation Y's interview style? They are much more honest than previous generations. Some interviewers are still asking the question "What kind of fruit would you be? Or what kind of animal would you want to be?" They feel it is a way to test creativity and quick thinking. If Generation Y candidates are asked about fruits and animals, they would probably laugh at the interviewer. Perhaps this approach is more meaningful when interviewing art majors versus accountants.

Many Human Resources professionals have also given up on asking the question "What do you see yourself doing 10 years from now?" (Many current professionals are unsure what they will be doing, so why would they expect Generation Y to know?) It used to be that candidates were prepped to say they want to be the President or a partner. Now they might say, "Wow, I never thought about it," "Working with my laptop on the beach," "Working from home in my pajamas," or "Who knows?" Couldn't they even pretend to have long range goals? The fact is they do, but their goals do not revolve around titles, the corner office or climbing the corporate ladder. But don't be fooled. The truth is, they might want those also, but only if they are challenged, given feedback and are able to "live" along the way. Those are the bigger priorities and they call it "driving their career."

The best approach is to get to know the candidate in a relaxed manner. This allows them to be much more comfortable, so they usually are willing to share more information than they really should. Interaction, not intimidation, is the key.

A Generation Y candidate also interviews the interviewer, often asks more questions than the interviewer, and has much more confidence than most other candidates. Some call them the "why" generation because they ask so many questions. Their questions do not mean they disrespect authority or that they are questioning the process, they are just much more likely to really want to know the answers than previous generations or, at least, they are not afraid to ask. Besides, good leaders do not necessarily know all the right answers, but they know all the right questions, so it seems that Generation Y candidates are on the right track. Generation Y candidates are actually perfect for those who are uncomfortable with interviewing. Let them take the lead; sit back, and they'll answer honestly and say what they want. They do not want to be coddled, they want to be challenged. They do not have to have everything they ask for either, they just are not afraid to ask for it.

"Some call them the "why" generation because they ask so many questions."

Even in an economic recession, Generation Y has more choices than previous generations and they know it. Many Generation Y candidates possess at least one of the following traits:

- Quit their job and took time off to relax before starting their next search (while previous generations were told it was easier to find a job if they had a job!)
- Are "too busy" to meet for an on campus interview. One particular candidate even wore a tie with an unbuttoned dress shirt, yet had complete confidence the company would "make an exception" and hire him. He was right; he was hired.
- Ask about flexibility, then within a few weeks are coming to work every day at 10:00 am.

Even at their young age, they might already have as many jobs on their resume as the interviewer. Some view this as "job hopping" or perceive a lack of loyalty. Generation Y candidates feel they are making better choices; if they are unhappy in a position, they do not stay in the position. Previous generations called it "paying your dues," Generation Y calls it "building a skillset." Their loyalties lie with themselves and their families. They are not expecting the government or big corporations to provide them with financial security; they will fend for themselves. As a result, salary is more important than retirement plans, but they also will not trade more money for more hours.

In general, Generation Y is a highly motivated, highly skilled group that is constantly providing organizations with new ideas. They just have a different style. Organizations that take the time to understand the Generation Y style will have better success going forward.

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Economic Stimulus *(Continued from page 1)*

beginning when purchases exceed $500,000. These amounts had been indexed for inflation and were scheduled to increase to $128,000 and $510,000 respectively for tax year 2008. The Act, however, increases Section 179 expensing to $250,000 and the phase-out threshold to $800,000.

Bonus Depreciation

Bonus depreciation has been used several times in attempts to stimulate the economy by encouraging business investment. Most recently, bonus depreciation was available after September 11, 2001 as well as for property used in the Gulf Opportunity Zone after Hurricane Katrina. The Act provides taxpayers with 50-percent first-year bonus depreciation of the adjusted basis of the qualifying property.

In order to claim bonus depreciation, the property must either (a) have a modified accelerated cost recovery system depreciation period of 20 years or less, (b) be off-the-shelf computer software, (c) be qualified leasehold property, or (d) be water utility property. Unlike Section 179 expensing, only new equipment that is placed in service is eligible for bonus depreciation. If a taxpayer does not elect out of bonus depreciation, bonus depreciation must be claimed for both regular tax and alternative minimum tax. Bonus depreciation can be combined with Section 179 expensing for a greater tax benefit.

Timing

Both Section 179 and bonus depreciation incentives apply to depreciable assets placed in service after December 31, 2007, but before January 1, 2009. However, for fiscal year taxpayers, the higher expensing limits and bonus depreciation apply to tax years beginning in 2008. For example, a September 30 year-end taxpayer who places assets in service on September 29, 2008 would not be able to claim any bonus depreciation and Section 179 expenses would be limited to $128,000 for the year ended September 30, 2008. If the taxpayer places the assets in service on October 1, 2008, then the taxpayer could claim bonus depreciation and the $250,000 threshold for Section 179 would apply for the year ending September 30, 2009.

In the short term, taxpayers will see a decrease in their tax liabilities, but tax bills in later years will be higher due to the accelerated expenses.

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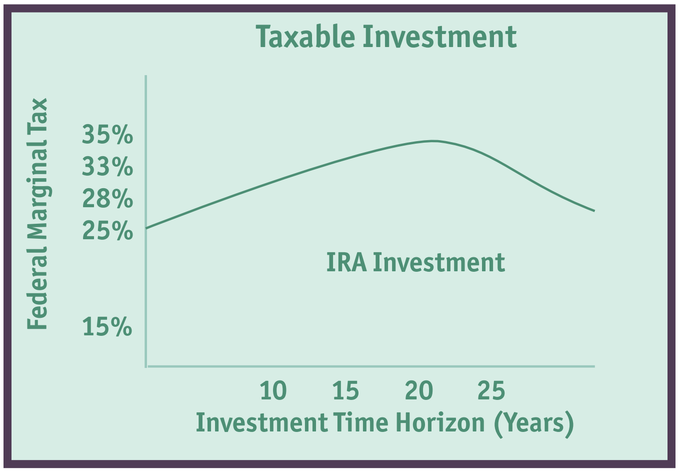
Non-Deductible IRA *(Continued from page 3)*

are no required minimum distributions associated with Roth IRAs. This Roth conversion may be a great option for many investors…the catch of course is that the law may change prior to 2010.



Sources: Tax Advantaged Savings Accounts and Tax-Efficient Wealth Accumulation, June 2005, Stephen Horan, www.MyMoneyBlog.com, March 2008

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In The Firm News

Congratulations to the following staff members who recently passed all parts of the CPA Exam:

SARAH CULLATHER, HEATHER HOERR, SUDHANSHU MALANI, SARAH OBRAS, NATHANIEL PHILLIPS, RICHARD TYSON, CHRIS YOUNG

Congratulations to the following staff members who recently passed Exams:

KINSEY ARNETT, Bar Exam

Welcome to the following new staff members:

KINSEY ARNETT, JORGE ARREDONDO, CHRISTOPHER BARTENBACH, SHANNON BAYHA, DONNA BLACKMON, RYAN ELMORE, JIM FELABOM, CHRIS FELGER, WILLIAM GRAFF, LEAH HAAK, BRANDEN HARBIN, DAWN JOHNSON, BRIAN LEIGHTY, STEVEN LEVY, JAMIE McKINNEY, CALLIE MEHLING, JP MOORE, ASHLEY MORTON, KENDRA MOWREY, ROBYN O'DONNELL, BRAD REAY, WILLIAM ROBINSON, DEBBIE ROLFSEN, CORY SENGER, JASON SIEMAN, GLENN SHIRLEY, DANIEL TRITCH, CHERYL TROYER, MELISSA VRBANAC, ABBY WARNER, AMY ZIMMER

Acknowledgements:

KAREN BLANKENSHIP
Elected to the Indiana Division Board of the International Association of Administrative Professionals (IAAP) as Secretary

MARK FLINCHUM
Elected to serve on the Board of Directors for the Better Business Bureau and elected to serve as Vice Chairman of the Noblesville Chamber of Commerce

RON SMITH
Elected Secretary of the United Way of Central Indiana Hamilton County Advisory Board

CASSE TATE
Joined the board of Motus Dance Theatre, Inc.

KSM'S RELAY FOR LIFE TEAMS
Raised over $12,000 for the American Cancer Society. KSM team #1 was the top fund raising team.

Speeches/Presentations:

CHRIS COX and **RICK CUCULICK**
Presented "Cash Flow Management and Taxability of Grant Receipts" to the 21st Century Fund Recipients

KAREN KENNELLY
Presented at the Office of Faith Based and Community Initiatives Conference, was a panelist at the Nonprofit Solutions Center annual conference and presented "Financial Responsibilties of Nonprofit Board Members" to the Hamilton County Leadership Academy

KSM CAPITAL ADVISORS
Presented "Global Water Issues and Investment Opportunities" to KSM clients

BILL LEACH
Presented "Accounting Firm Management" to the Association of Accounting Administration at their 25th annual Practice Management Conference

ANDY MANCHIR
Presented "ESOP Case Studies" at the Michiana ESOP Conference

ANDY MANCHIR and **SCOTT READ**
Presented "Business Valuation" at a course offered by the Indiana Legal Education Foundation (ICLEF)

ANDY MANCHIR, SCOTT READ and **DAN ROSIO**
Presented "The ESOP Opportunity" to KSM clients

TERRY O'NEIL
Appeared on Inside Indiana Business, served as a judge for the 50 Companies to Watch Program presented by the Indiana Economic Development Corporation, Purdue University and the Edward Lowe Foundation

***The Advisor* Editorial Committee:**

MARK FLINCHUM, DONNA BLACKMON, ANNE WHISLER, ROSANNE AMMIRATI, CHRIS BRADBURN, STEVEN LEVY, RON SMITH

For more information about Katz, Sapper & Miller, please visit our website at www.ksmcpa.com.

KATZ, SAPPER & MILLER

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