
THE BOTTOM LINE

DeLano Consulting, CPA LLP

Summer Newsletter 2005

Welcome to Summer!

Can you believe it's the beginning of June and that half of 2005 has gone by already? I can't..

In our Summer Newsletter we wanted to touch on some Important Issues, How Effective is Your Backup Plan, Taking Advantage of the Section 179 Expense Election before the limits are reduced in 2008, and Issues with the State of California Recent Sales Tax Rate Increase Craze.

As accounting, tax and computer professionals, please feel free to contact us if you have any questions about the enclosed articles or any other subjects. We hope everyone has a wonderful Summer.

Wendell DeLano, CPA



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Computers and Equipment

Do you have a Good Backup Plan for Backing Up Important Files and Information on your Computer and Servers?

It is important to evaluate your Backup Plan BEFORE you have a problem. There are Seven Important Elements to an Effective Backup Plan:

1) **Insure that you have a Complete Backup** by making it clear to all Users that they Must **Exit out of all application programs** at the end of the Day. Files can be skipped by a backup program if the file is considered in use (from a user not exiting an application when the backup is run at night). Incomplete data backups can be almost as bad a no data backups.

2) **Always Keep Multiple Backups** so that you can go back at least 1 to 5 days, 1 to 5 weeks, 1 to 3 months to retrieve information. Having one backup only is dangerous and risky.

3) Tapes are 65% reliable and must be monitored to insure that the tape is readable. Dirt or other unforeseen problems can render tapes unreadable. **Consider Adding Automatic Scheduling of Computer to Computer Backups**, in addition to a Tape Backup for double protection. You can backup critical files from one server hard disk to another hard disk; from one server to another server; or from server to a workstation and any combination. Most workstations have plenty of extra space to hold several back ups, why not use this.

4) **It is always better to configure Computers or Servers to have a least Two Hard Drives.** The First Hard Disk should be dedicated exclusively for Windows and Program Files. The Second Hard Disk to contain all of your important data files unless you store all important data files on a server. If the Windows Hard Disk crashes, you can transfer the second drive to another computer to retrieve files easily.

5) **Also consider using a Hard Disk Replicator to backup your Bootable Windows Hard Disk in case of emergency.** Make frequent backups of your Second Data Hard Disk with External Hard Disks, or Additional Hard Disks.

6) The most common failures in computers are from the Hard Disk and/or the Mother Board. These items by themselves are inexpensive. **Think of purchasing a replacement mother board and hard disk/s before you need it for an emergency.** Servers often use SCSI Hard Disks. Make sure that any replacement motherboard can accept the SCSI Controller for your active computer. Motherboards sometimes fail because they overheat. Every month check the fans in your computers to make sure they are properly cooling your equipment and clean them. In most cases, the down time waiting for a warranty replacement part after failure, is more expensive than the warranty part itself. Why not purchase these replacement parts before there is an emergency.

7) **Always have updated protection from Viruses and Hackers** by having an Up to Date Firewall, Antivirus Software, Identity Protection from the Internet and updated Windows Patches.

If your company runs on computers, how much does 2-3 days of down time cost? How many hours are lost if files are not recoverable. It is never fun to deal with a Computer Crash. I am sure it is everyone's Personal Goal to minimize the number of computer crashes in their lifetime. Data Recovery Services are also an option but they are expensive and require days before data can be recovered. Having the right backup plan can make a Big Difference in Protecting your Company and Insuring Low down Time.

Please feel free to contact us if you would like us to Evaluate, Test, Recommend or improve your Backup Plan.

Tax Topics

Election to Expense Equipment Otherwise Subject to Depreciation

2008 may not be so far away. For many years there has always been an election to expense equipment that you otherwise would have to depreciate (spread over the life of the equipment, like 5 years for computers...) subject to a maximum limit each year. Over the last several years, taxpayers have enjoyed a maximum limit of over \$ 100,000 per year (inflation adjusted). The limit for 2004 is \$ 102,000 and the limit for Year 2005 is \$ 105,000.

In Year 2008, unless there is a permanent change, the limit is scheduled to return to \$ 25,000 per year. So from now until Year 2008, there is a large tax incentive to purchase otherwise depreciable equipment and to avoid tax on the total purchase price of the equipment.

There are some limitations to the expense election. To name a few, it is not allowed for trusts, it only applies to new equipment purchases, it does not apply to real estate, the property must be placed in service within the year, certain passenger vehicles do not apply, the election is reduced for large companies with income over \$420,000 and the deduction can not exceed current year's taxable income but can be carried forward.

But if you are planning on acquiring new equipment in the next 2 1/2 years and you have the income to offset it, there is a clear tax advantage to schedule your purchases before December 31, 2007. It is hard to predict if this higher expense election limit will be made permanent in the next year or so, but originally it was a temporary provision directed at helping the economy after 911, so if the legislatives intent is carried through, the Year 2008 limit of \$ 25,000 may stand.

So if you are making money and need equipment (that would otherwise be depreciated), this is the best time to purchase equipment. 2 1/2 years may not be that long of time after all.

California Sales Tax Craze

Certainly the result of the California Budget Crisis, more and more Cities in California have City Specific Sales Tax Rates. The cities are simply broke and are turning to Sales Tax Revenue for Funding. In the last year alone, roughly **15 New Cities added** City Specific Sales Taxes in California. This means that you have to add new Sales Tax Codes to handle these new rates.

If you ship goods using a common carrier in California (and your Business resides in California), you are required to charge the Sales Tax Rate that applies to your Customer's Location. It is not only important to add new codes, it is equally important to make sure that you have assigned the correct Sales Tax Schedule to each of your Customers.

With all of the recent changes, we recommend that every company in California check their Customer Lists and Sales Tax Schedules. When was the last time these were checked? Failure to collect the right tax is the responsibility of the seller so the stakes can be high.

Services We Provide

Accounting and Tax Services (Financial Statements and Tax Returns for Individuals, Corporations, LLC's, Partnerships, S Corporations, Fiduciaries)

We Prepare: Income Tax
Sales Tax
Payroll Taxes
Business Property Taxes

Do you want to know how well your business is doing? We prepare Financial Statements.

We Support, Train and Install the following Accounting Software Programs:

MAS90
MAS200
QuickBooks Pro Wholesale & Enterprise
Quicken

We support older versions of MAS90 that are not supported by the Manufacturer. We support 3.2 and above. If you have an older version and can not get support, please give us the opportunity. We have 17 years experience with MAS90 and MAS200.

We provide Network Installation and Support, specifically for networks under 30 workstations to run MAS90 as smoothly as possible.

We can provide Any Financial Statement Format Imagined. F9 is a more flexible and low cost alternative to FRx and F9 works with 20+ accounting programs. There is no financial statement format that can not be achieved with F9 if the information is available. Have you ever wanted your financial statements to be automatically formatted in Excel? This is what F9 provides. We have templates to get you started.

We are also Crystal Report and Report Master Experts and we can setup custom reports specifically tailored to your needs. Accounting Systems have sometimes been referred to as a mine field of information. A good custom report can "mine" your accounting system's information so that profitable decisions can be made on a timely basis. Making the right decision at the right time can add up to profits and just good decisions.

We have extensive experience with more specialized implementations of MAS90 including EDI Solutions, eBusiness, Credit Card, Time & Billing, Point of Sale, and Integration with UPS World Ship, Federal Express, Pitney Bowes and MobileTech Application Programs. We also support MAS90 on a Citrix or Terminal Services Platform.

