

THE Mangold Group Messenger

Issue 3

Summer 2007



Hello,

Running a small or medium-sized business of any kind requires someone to be somewhat of a Renaissance man – skilled in marketing, sales, personnel and finance, not to mention producing and delivering a product or service that customers will buy.

Business owners also face one major challenge that Da Vinci never had to deal with. He received pay and protection from the rulers of Florence. Business owners today not only have to pay the government, but also have to keep up with the myriad, mutating regulations that cover every aspect of their operations.

This issue covers some of the new federal and state laws that impact your business, both in terms of tax breaks and new obligations. I hope you find this helpful.

As always we stand ready to help you comply with the law, while maximizing the financial return you receive for all that time you put in.

Thomas Mangold, CPA

Wage and Tax Changes

On May 25, President Bush signed into law H.R. 2206. The primary purpose of the bill was to provide funding for the military operations in Iraq; however, there were also amendments affecting businesses.

Title VII of that bill contains two domestic financial provisions. The first, called the *Fair Minimum Wage Act of 2007* raises the federal minimum wage from \$5.15 per hour to \$5.85 on July 24th of this year, \$6.55 on July 24, 2008 and \$7.25 on July 24, 2009.

The second part of Title VII is called the *Small Business and Work Opportunity Tax Act of 2007* and includes \$5 billion in tax incentives to help offset the impact those minimum wage increases have on small businesses. The new law changes more than sixty sections of the tax code, many of which are retroactive. Here is a summary of some of the highlights.

Work Opportunity Tax Credit (WOTC)

This tax credit for hiring certain types of employees (such as veterans, high-risk youth, ex-felons, those receiving public assistance) in economically-challenged areas was set to expire at the end of 2007, but has been extended through August 31, 2011. The WOTC gives a tax credit for a portion of the wages a qualified, newly-hired employee earns in the first two years. The credit for qualified disabled veterans was raised from \$6,000 to applying to the first \$12,000 of income. In addition, the law now applies to individuals living in rural counties with declining populations.

Expensing for Small Businesses

This provision relates to expensing depreciable business assets. The dollar limitation has been raised from \$100,000 to \$125,000 and the investment limitation raised from \$400,000 to \$500,000. These increases were made retroactive to the start of the 2007 tax year and extend through 2010. The investment limitation is indexed for inflation beginning next year.

Tips and Social Security

Employers can take a credit for FICA paid on food and beverage service employee tips that exceed the minimum wage. This section freezes the minimum wage figure used for making these calculations at \$5.15 per hour, rather than taking into account the new higher minimum wage rate, giving employers a larger credit.

(Continued on page 2)

Meet Melissa

Melissa Grein is a staff accountant and payroll specialist for The Mangold Group. Growing up in New Braunfels as the daughter of two Enrolled Agents (income tax specialists), she had an early exposure to accounting. She studied Political Science at Baylor University, but after graduation decided to move into the family's line of business.

"When I got out of college, accounting fell into my lap before becoming a lobbyist or working in politics," she says. "It is something I am good at and I enjoy working with clients."

After working as a staff accountant for a transportation firm, she joined The Mangold Group in 2003 where she could further develop her skills.

"It's a great place to work with a lot of teamwork," she says. "They want

everybody to continue their education and achieve their utmost goals."

Melissa works in the outsourced services area of Mangold. She does complete outsourced accounting for six customers including accounts receivable, accounts payable and job coding. She is also the payroll specialist for the firm, which goes beyond just payroll processing and filing of taxes. With one large retail client, for example, she set up specialized reports and checklists that streamline payroll for the owners and managers, and make it easier to train incoming managers.

"Each client is unique and you really have to understand their business in order to address their individual needs," she says. "Through the years I have learned what works best for different types of companies. I have the experience to help them integrate those procedures into their business operations."



Melissa is president of her homeowners association. That, coupled with work, doesn't leave her much free time, but when she has some she likes to go biking, out on the lake, or hiking with her husband and dog.

Wage and Tax

(Continued from page 1)

Alternative Minimum Tax

Individual and Corporate Alternative Minimum Tax limits are waived on WOTC credits and credits for taxes paid on tips.

Family Business Tax

If a married couple jointly operate an unincorporated business of which they are the only members, they can now choose to file as two sole proprietorships, rather than as a partnership. In this case, they divide the income and expenses in an appropriate manner, allowing each of them to receive credit for Social Security and Medicare taxes paid. To be eligible for this option, both must actively participate in the business.

S Corporation Capital Gains

The new law redefines how certain passive investment income is treated for S Corporations. For tax years that start after May 25, the sale of stocks and securities will no longer be treated as passive income, but taxed "only to the extent of the gains therefrom."

Call our office to find out how these and other parts of the new law affect your business and the tax you pay.

The Funny Side



The tax advisor had just read the story of Cinderella to his four year-old daughter for the first time. The little girl was fascinated by the story, especially the part where the pumpkin turns into a golden coach. Suddenly she piped up, "Daddy, when the pumpkin turned into a golden coach, would that be classified as income or a long-term capital gain?"

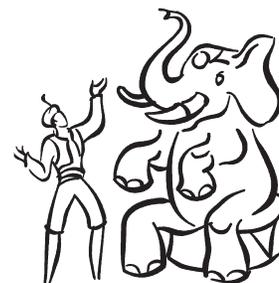
A financial planner advised his wealthy client to invest in a circus.

"A circus?" asked the surprised client. "Why on earth should I buy into a circus?"

"Because of the elephants," the financial planner explained. "Do you know how much it costs to feed an elephant?"

"No, of course I don't know how much it costs to feed an elephant," said the now-annoyed client.

"Well, neither does the IRS," the planner replied.



Featured Client - MyITpros

As computers continue to expand their role in the day to day operations, companies are increasingly turning to outsourced services to manage their IT systems. EDS in Plano, for example, manages about 3 million laptops for a variety of large enterprises, including the U.S. Navy. Even though those organizations are large enough to hire their own IT departments, it still makes economic sense to contract the work out. This strategy is even more important for small and medium sized businesses. That is where MyITpros comes in.

"We are the IT department for organizations that are too small to have their own IT departments," says owner and CEO Chris Boyle. "We have very high level network administrators and system engineers that do everything from managing servers to providing desktop support."

MyITpros has been serving Austin – area businesses since 1993. Boyle says the key to its success has been in finding the right personnel. He only hires people with a minimum of five years technical experience, as well as having good people and management skills. While the company does provide on-call services, it works best when his technicians visit the clients regularly to spot and fix any minor problems before they wind up in a systems crash.

"If you keep things up and running, instead of calling your IT services company to put out fires, you have fewer fires," Boyle explains. "You have systems that work the way they are supposed to and you are more productive in doing your business."

He also applies that same philosophy to operating his own business. He has owned a variety of small businesses over

the past thirty years, and knows the value of sticking with core areas of expertise. He and his staff are experts at computers, not accounting, so he outsources that work to The Mangold Group.

"There are a lot of things we could do ourselves that we are happy to outsource to Mangold, because it allows us to concentrate on things that are more important to our business," he says. "Business owners face a lot of challenges, but our accounting has been in good shape for years due to our relationship with Mangold."



Ask Thomas



Question: How does the new Margin Tax affect my net operating losses under the former Franchise Tax? Can I still carry over my prior losses?

Answer: *The Franchise Tax net operating loss can be carried over to the new Margin Tax. However, the method of calculating the carryover is not at all clear in the new*

law, is somewhat complex, and will need some additional explanation before it is usable.

The Comptroller of Public Accounts should be notified in writing, no later than September 1, 2007, to preserve the right to take the credit.

We will be working with affected clients and the Comptroller as the deadline nears to assure protection of these credits.

Submit Questions to:
Ask Thomas
2714 Bee Cave Suite 200
Austin, TX 78746
newsletter@mangoldcpa.com

Win a \$50 Gift Certificate

It's as easy as 1, 2, 3:

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Every card that is redeemed at our office will be entered into a drawing for a \$50 gift certificate usable at your choice of hundreds of retailers.

The drawing will be held on September 18th, and the winner announced in our next newsletter.

THE **Mangold Group**

Certified Public Accountants, PC

FIRST CONSULTATION FREE

(Up to 30 minutes)

512-327-0909

Given by: _____

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OOPS — THERE'S A TYPO!

We have hidden a typo
in our newsletter.

Be the first to find it
and email us at
newsletter@mangoldcpa.com.

You will
WIN
**Four Free
Movie Tickets**

(Congratulations to last issue's
winner, Robert Swift!)



Going Global

Do you need to pay taxes in Taiwan or
file papers in Peru?

To better service our clients specialized
needs, The Mangold Group has recently
joined CPAConnect, adding the strength of
20,000 employees at more than 600 ac-
counting and consulting firms. Through
this association, we can provide access to
accounting services from coast to coast
and in 87 other countries as well.

This gives you the best of two worlds.
You continue to receive the local, person-
alized attention and care you have come to
expect from our firm. But you also get
worldwide reach and expertise for those
times you need something extra.



More Profits More Free Time

Are you spending
too much time
on accounting?

Call today to
schedule a meeting to
see how outsourcing
your accounting can
help you grow your
business.

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