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HOLTZ RUBENSTEIN adviser

WORLDWIDE REPRESENTATION BY DFK INTERNATIONAL

JANUARY/FEBRUARY, 2002

How Observant Are You?

The answer is "very" if you've already noticed that instead of the January, 2002 issue, this is the January/February issue.

With the New Year comes the new 6-page bi-monthly version of the HR *Adviser*. We trust it will continue to provide you valuable information.

This Month

HOLTZ RUBENSTEIN & CO., LLP
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Electronic Payment of Federal Taxes

In its continuing effort at modernization, the Internal Revenue Service has given individual taxpayers the ability to pay their Federal taxes electronically through the Electronic Federal Tax Payment System ("EFTPS"). The system allows taxpayers to use the telephone or internet to initiate transfers from their bank account directly to the United States Treasury. In order to accomplish this, taxpayers must go to the EFTPS website, *www.eftps.gov*, to enroll.

Enrolling in EFTPS is an easy, step-by-step procedure. All that is needed for enrollment is a social security number, bank account type, account number and bank routing number (which is found on your check – see a sample on the next page) as well as a name, address and telephone number. After the requested information is input and validated, an online enrollment confirmation page will appear that contains an enrollment trace number. Within 15 days of online enrollment, the taxpayer will receive written confirmation of the enrollment in the mail. This will include a Personal Identification Number (PIN) and will instruct the recipient to call an 800 number so that a temporary internet password can be obtained. The PIN, the enrollment trace number and the user's Social Security Number all will be needed when making the phone call. The caller **must listen carefully on the phone and be sure to record the temporary internet password accurately. The temporary**

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Notable and Quotable

Senior Tax Partner **Alan E. Weiner** has been chosen to be included in the 56th edition of *Marquis Who's Who in America®*. Marquis has chronicled the lives of the most accomplished individuals and innovators from every significant field of endeavor and remains an essential biographical source for thousands of researchers, journalists, librarians and others around the world.

Alan has been included in *Who's Who in American Law* since 1977 and *Who's Who in the East* since 1985.

Partner **Howard Weiner** has been named President-Elect of DFK International, the worldwide association of independent accounting and business advisory firms. As president-elect, Howard will head up a strategic planning committee, as well as continuing his duties as a member of the executive board, including member relations and financial matters.

As part of the continuing education required for certified public accountants in New York State, **Beatrix McKane** and **Gordon Siess** were asked to update fellow CPAs on some accounting and auditing procedures at the Accounting and

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Payroll Tax Memorandum – 2002

Each year our firm prepares a payroll tax memorandum for its clients outlining the more important provisions in connection with your responsibility for collecting and remitting the various Federal and New York State payroll taxes.

If you are interested in receiving a copy of the year 2002 memorandum, please call Helen Katona at (631) 752-7400, x-294.

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Electronic Payment of Federal Taxes

internet password is an alphanumeric number that will need to be changed to a permanent password of the user's choosing the first time the system is accessed.

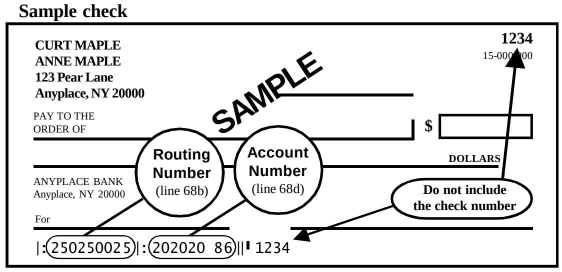
EFTPS can be used by individual taxpayers to pay estimated taxes as well as the balance due with their returns. Through EFTPS, taxpayers can set up all their estimated tax payments to be paid up to a year in advance. Unlike tax payments made with a credit card, there is no fee when tax payments are made electronically through the EFTPS; however, some banks may charge a fee for electronic transfers.

Directions on how to enroll and initiate payments are provided at the EFTPS website in an easy to follow format. Some members of our Tax Department are available to assist in the event additional help is needed with either enrollment or the actual initiation of tax payments.

When using the EFTPS to make tax payments, the following points should be noted:

1. The IRS promises that EFTPS is safe and secure with a high priority placed on privacy and confidentiality. In order to initiate a payment, taxpayers need a PIN as well as a password for payments made online.
2. Confirmation of enrollment can take up to 15 days. If use of EFTPS is intended, we suggest that enrollment be done immediately rather than later in the filing season when there is a greater likelihood of delays.
3. Electronic payments must be initiated one day prior to the due date, before 8:00 p.m. eastern time. Payments initiated late may be subjected to late payment penalties. It is recommended that payments be initiated far enough in advance to diminish the possibility of payments not being made due to computer problems or other difficulties. In order to verify that the payment was initiated timely, an acknowledgement number is provided. Acknowledgement numbers should be recorded and saved.
4. EFTPS enrollment is available for businesses as well as individuals. When enrolling as an individual, be certain to select the individual option at the EFTPS website. You will find this selection at the left of one of the first screens you enter.
5. One of the benefits of using EFTPS is that quarterly estimated tax payments can be set up in advance and paid automatically before the due date. However, it is the responsibility of the taxpayer to make sure that there are sufficient funds available to make the payment. If there are insufficient funds, a penalty will result.
6. New York State does not have a similar electronic payment procedure.

Sample check



Note: The routing and account numbers may be in different places on your check.

As an alternative to paying electronically or with a check, individual taxpayers can make tax payments to the United States Treasury and New York State with a credit card. Many other states accept credit card payments as well. The eligible credit cards are American Express, MasterCard and Discover. Visa is not acceptable.

Credit cards can be used to pay quarterly estimated payments as well as the balance due with a tax return or extension.

Payment can be made quickly and conveniently with a credit card through a service provider via telephone or internet. The two service providers are:

- Official Payments Corp. –
  For Federal and New York State tax payments –
  800-2PAYTAX,
  www.officialpayments.com.

- PhoneCharge, Inc. –
  For Federal tax payments –
  1-888-255-8299,
  www.about1888alltaxx.com.

  For New York State tax payments –
  1-877-521-8697,
  www.paynystatetax.com

Although paying with a credit card appears to be quick, safe and convenient, there is a price to pay. The service providers charge a convenience fee of approximately 2.5% for most taxpayers. Many banks also treat the tax payments as cash advances, resulting in a cash advance fee and the accrual of interest from the date of the transaction. It is, therefore, recommended that credit cards be used to make tax payments only when absolutely necessary.

For more information about paying your taxes electronically, contact Senior Tax Accountant Richard Feldman at 631-752-7400 x-254, or *RFeldman@hrcpa.com*.

CyberNotes – Frequentflier.com

Frequent flyer club membership has become very common. Both business and leisure travelers participate in airline frequent flyer programs. Whether you are a member of a frequent flyer program or just thinking about becoming a member, check out ***frequentflier.com***.

The site provides information and advice on how to choose from the various programs, how to enroll, and how to maximize your miles. There are profiles and links for each of the frequent flyer programs as well as hotel and rental car programs. There are also profiles and comparisons of the many different credit card reward programs. Also, the site has a weekly e-mail newsletter that will keep subscribers up to date on the latest frequent flyer promotions, special fares, industry news and trends. In addition there are links to many travel related sites, including all the major domestic and international airports. Fly over to ***frequentflier.com***.

THE ADVISER CORNER

Accounting Software Options for Not-For-Profit Organizations

By Michael J. Mikulski, CPA

The saying, "You know yourself best," holds true for the officers, directors, and managers of not-for-profit organizations ("NFP") who understand the intricacies of their business the best. When deciding on new accounting software, it is imperative to assemble a team of people from within the organization to answer several questions:

- Why are we looking for new software?
- What is it exactly that we are looking for?
- When do we want to implement the new system?
- What is our deadline?
- Who is going to perform the implementation?

Throughout the decision-making process, you must prioritize your "needs" and "wants."

There are several criteria to consider when discussing software options:

• Organizational – size; technological challenges; complexity of transactions and reports; urgency of implementation; and lastly, cost.

• Output – financial statements; budgeting processes; external reporting requirements (i.e. claim vouchers and cost reports); management concerns and specific review requirements; and an audit trail.

• Application – an audit trail; internal controls and edit reports; user friendliness; and reliability of both the application and the vendor.

•Perks – reporting and system customization; integration with other software (i.e. exportability); hyperlinks; and, most critically, cost allocations from automation via posting to detailed "what if" reporting options.

When considering the above alternatives, research is imperative. There are several ways to investigate new accounting software packages, ranging from inquiries of your professional advisers, to personal feedback of colleagues, to vendor information, to personal research via the internet, trade journals and seminars. It is important to remember that what is best for one organization may not necessarily work for your organization. Examples of certain questions that must be addressed when gathering information include:

• Do you need an integrated fundraising module?

• Do you need a system that allows automatic cost allocations?

A source of information that is regarded as one of the most accurate is the demo; many manufacturers offer a free version of software that enables you to perform a <u>limited</u> number of transactions, so you can critique their product without the actual investment.

There are many "true costs" to consider when identifying your new accounting software. First, not all NFP systems are created equal. The market has been divided into three basic categories – low-end, mid-level and high-end – based upon the cost, built-in controls, and certain other industry norms. What may be the most common misconception is that the more the system costs, the better it is. There also are numerous incidental costs that need to be considered when evaluating new software packages, including number of users; upgrades and component parts; technical support; training; data transfer; interfaces and internet capability; and, probably the most overlooked extra cost, time.

An additional point illustrating how these incidental costs can be created is associated with the operating system from which the accounting software will run. It is important to note that Microsoft has ceased its support services for its Windows 95 operating system and has communicated its intentions of withdrawing its support of Windows 98 and Windows 2000 in the near future. One last word to the wise – do NOT underestimate these incidentals – allow for "growing pains" and budget for the cost and time of training personnel.

One final consideration is how to implement new accounting software. The answer to this question is as in depth as the consideration necessary for selecting the right system, and the key to an efficient implementation is working with people who have an expertise in both actual mechanisms of implementation and with the specific software system that has been chosen. In most circumstances, this expertise exists with contracted professionals and, therefore, can create additional incidental costs.

The following are implementation suggestions that will aid in the process: Start by setting up an account for your company. Enter all pertinent organizational information, identify all product users, and assign a system administrator. Ensure that you assign the appropriate rights to each person with access to the system and provide passwords to each. This is your first level of control and accountability. Enter all existing vendors into the accounts payable journal and all payors and clients into the accounts receivable journal. Enter all donors into the fundraising module. Assign someone to generate and maintain a "master log" of all reports available from the system. Most software packages include a dummy entity that has limited information (accounts, vendors, and transactions) and can be accessed for just such a purpose.

The next step would be to design your chart of accounts. Ensure that all members of the organization, as well as certain persons from outside (i.e.:

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Standard Mileage Rate for Business Automobile Use Increased

The standard mileage rate for business use of autos during 2002 has gone up from 34.5¢ to 36.5¢ per business mile. If an employee is reimbursed at 36.5¢ per business mile, the employee will not have to report the reimbursement as taxable income; however, the employee must substantiate to the employer the time and business purpose of the auto's use.

For autos operated in connection with charitable activities, the rate used for calculating your deduction remains at 14¢ per mile. For medical and moving expense deductions, the rate increases to 13¢ per mile, up from 12¢ per mile in 2001.

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Accounting Software Options for NFP Organizations

contracted technology experts, professional accountants, etc.), are involved in the design process. Identify and utilize alpha-numeric fields within the account structure. Additionally, the coding of account numbers should "flow" from the first line on your balance sheet to the last and then from income items through to the expenses.

During this process, be sure to allow room for growth within the structure and be sure to revisit and analyze the completed chart of accounts with all parties involved in its creation. Once the chart of accounts has been developed, create and enter the budget within the system.

Changing to a new accounting system should be given as much time and attention as possible. Quick decisions and rushed implementation often lead to unwanted results. Simplify the research and decision-making processes and stay within the boundaries of your organization; stay focused; and plan, plan, and plan again.

For further information on accounting software options for not-for-profit organizations, contact Supervisor Mike Mikulski at 631-752-7400 x-214 or *MMikulski@hrcpa.com*.

LLC Publication Requirement Declared Unconstitutional

New York State enacted its Limited Liability Company ("LLC") statute in 1994. Unnecessary baggage which was tacked on included the requirement that the LLC publish a notice of its organization once a week for six consecutive weeks in two newspapers (selected by the County Clerk) in the County in which the principal office of the LLC is located.

Aside from the annoyance factor, the publication cost in all areas of New York State, except New York City, was not consequential. The cost to publish in Manhattan ranges from $1,000 - $2,000 because of the newspapers selected by the New York County Clerk while on Long Island the cost might range from $100 - $300.

Our senior tax partner, Alan E. Weiner, who has a rich history with limited liability companies (in 1992 he served on a committee of the New York State Society of CPAs which conferenced with New York State and City tax officials in an effort to have the legislation enacted and since then he has written and spoken on the subject with one result being that his 200^{+} page outline has been accredited by the Continuing Legal Education Board of New York), has continually advised attorneys to advise their clients to publish as required so as to avoid unnecessary and potential litigation for reasons not gone into in this short narrative.

Now, however, along comes the Barklee decision, wherein a New York State Supreme Court judge has held the publication requirement to be unconstitutional and has enjoined the State from enforcing it. This is big news in the New York LLC world (reportedly, out of the 50 States with LLC statutes, perhaps only one other state has a publication requirement).

So, what should be done now? One attorney told Alan that since the cost of publication outside New York City is inexpensive, he would continue to advise his clients to publish because the State might appeal the decision. The decision only pertained to limited liability companies. There remains a question as to its applicability to limited liability partnerships and limited partnerships which have the same publication requirements. The New York Department of State has announced that it will continue to accept affidavits of publication (another requirement in New York's LLC law).

Annual Exclusion for Gifts

The Federal gift tax annual exclusion has been increased to $11,000 for gifts made in 2002.

This is the first time the $10,000 annual gift tax exclusion amount has ever been increased for inflation.

It is also important to note that an unlimited gift tax exclusion is allowed for amounts paid on behalf of a donee directly to an educational institution for tuition. Additionally, amounts paid directly to health care providers for medical services on behalf of a donee qualify for an unlimited exclusion.

DFK Website of the Month

DFK International is the worldwide association of independent accounting and business advisory firms in which Holtz Rubenstein is actively involved. Through our affiliation we are able to provide enhanced services to you and to other clients throughout the United States and the world.

This month we spotlight one of DFK's members in Germany – Stümpges Dücker & Partner. Visit them at **www.stuempges.de** and click for the English version.

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Notable & Quotable

Auditing All Day Conference, sponsored by the Nassau and Suffolk chapters of the New York State Society of CPAs (NYSSCPA).

As the year came to a close, we welcomed another staff member. **Christopher Bertman** joins us as a senior in the firm's audit department, after more than 4 years prior experience in accounting. He has a B.S. degree in accounting from the State University of New York at Albany and is a member of the American Institute of CPAs (AICPA).