

# Lautze & Lautze Executive Roundtables

In 2007, Lautze & Lautze's San Francisco and San Jose offices will host a series of Executive Roundtables, a forum for discussion and dialogue on topics that impact closely held businesses and high net worth families and individuals. The Roundtables allow participants to connect live with peers and industry experts on the challenges you face and the solutions you need. Please see draft schedule below. The topics may change, so please check our web site for updates. If you would like to be contacted when the next Roundtable approaches, please send an email to [bbashful@lautze.com](mailto:bbashful@lautze.com).

**January 30, 2007, 8:30 – 9:30 AM,  
The Courtyard by Marriott, San Francisco  
Downtown**

## Fraud Horror Stories – And Ways to Prevent Them from Happening

This Roundtable presents several case studies on white collar crime that, despite new laws and regulations meant to help prevent fraud, emphasize how companies continue to face enormous pressure to meet short-term financial goals thus creating a powerful motive for accounting fraud. This session also covers the internal controls you can use to help detect and prevent fraud. **Speakers:** Patrick Geonetta, White Collar Crime Squad, Federal Bureau of Investigation (FBI), and Roger Bulosan, CPA and Director, Lautze & Lautze

## May 2007 – Dates to be determined Ask the Experts: Common Small Business Legal, Banking, Accounting and Tax Mistakes

Attorney, Banker and CPA will discuss and answer questions on:

- Not having good written agreements.
- Unclear expectations and rules for employees.
- Not having an experienced corporate attorney, banker and CPA.
- Ignorance of the law and fiduciary responsibilities.
- Not keeping proper corporate records.
- Not clearly documenting partners' rights and responsibilities.

**San Francisco  
8:30 – 9:30 AM, The Courtyard by  
Marriott, San Francisco Downtown**  
Panelists (to be confirmed):

- Attorney at Law
- Corporate Banker
- James Petray, CPA and Director,  
Lautze & Lautze

## San Jose

**8:30 – 9:30 AM, location TBD, San Jose**  
Panelists (to be confirmed):

- Attorney at Law
- Corporate Banker
- Dan Hoffman, CPA and Director,  
Lautze & Lautze

## September 2007 – Dates to be determined High Net Worth Strategies: Best Practices to Help You Achieve Your Financial Goals

- Learn about maximizing your net worth by leveraging best practices in asset and retirement planning and college planning.
- Reduce the impact of federal and state income taxes.
- Plan for the use of life insurance to increase estate liquidity.
- Make the most of the tax benefits associated with charitable giving through a variety of strategies and gift programs.
- Learn how to develop the most effective structures to pass on more of your estate to younger family members.
- Discuss the pros and cons of hiring someone to help manage your assets.

## San Francisco

**8:30 – 9:30 AM, The Courtyard by  
Marriott, San Francisco Downtown**  
**San Jose**

**8:30 – 9:30 AM, location TBD, San Jose**

## November 2007 – Dates to be determined Dispelling the Myths of Offshore Planning

- Understand how to protect your assets.
- Learn about wide and, most important, legal range of choices in going offshore.
- Certain legislation enables the formation of offshore companies in certain off-shore jurisdictions that can defer taxes.
- Learn about the best banking and corporate structures to for moving your assets offshore.
- Whether you're looking to invest in property, set-up a business or save money tax-free, protecting your assets offshore is one prudent way to prepare for the unexpected.

## San Francisco

**8:30 – 9:30 AM, The Courtyard by  
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**San Jose**

**8:30 – 9:30 AM, location TBD, San Jose**



LAUTZE & LAUTZE  
CPAs & FINANCIAL ADVISORS

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### MEET OUR NEW MARKETING DIRECTOR

Patricia Block joins our firm.

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## Boys and Girl Clubs

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ized programs for young girls and teens.

"To us, 'programmatic excellence' means programs and services that dramatically improve and enrich kids' lives," said Connolly. "Our programs help kids overcome disadvantaged circumstances to become adults who are confident, healthy, and capable of making informed choices in their lives."

### Helping San Francisco At-Risk Youth

As one of the area's largest providers of youth services, Boys & Girls Clubs of San Francisco is in a leadership position to impact the city's at-risk kids. Similarly, leaders of Bay Area corporations and other community organizations have the opportunity to play a critical role in shaping the future of San Francisco.

"Through numerous collaborations, we've developed powerful partnerships that significantly enhance quality programming for the kids the Clubs serve each day," said Connolly. "In addition to corporate sponsorship and volunteerism, we depend on individual donors and volunteers to help our programs flourish."

Today, Boys & Girls Clubs of San Francisco has more than 700 volunteers, 280 of which participate in programs on a regular basis. In addition, they have 135 employees, 90 of which are full time. In the summer, that number increases to 215 to accommodate 11 summer sites, including Camp Mendocino.

"We're a facility-based organization that requires a lot of manpower," explained Connolly. "We're open to youth every day, and our volunteers make a huge difference in helping to provide a safe, nurturing environment to kids all across the city."

In September, the Boys & Girls Clubs of San Francisco will host its 34th annual golf tournament, held at the prestigious Olympic Club. "There are so many opportunities for corporations and individuals to get involved helping our area kids," said Connolly. "Our youth and their families really

## Lautze & Lautze Welcomes New Marketing Director

"The aim of marketing is to know and understand the client so well the product or service sells itself."

—Peter Drucker, writer, educator, management consultant

Lautze & Lautze is pleased to announce a new member to its management team. Patricia A. Block has been hired as the firm's new marketing director. Patty is a graduate of the University of Pittsburgh and brings with her a wealth of experience in business development for professional service firms. Her responsibilities primarily will be to:

- Work with the directors and managers of the firm to find ways to continually improve the service we provide to our existing clients. This will include re-engineering our customer relations management program (CRM) as well as business processes. It will also include developing and implementing a plan to improve client communications and a process to seek feedback from our clients on their expectations and needs and our performance; and
- Develop and implement a business development plan for the firm to attract and retain new clients.

We recognize the importance of providing unparalleled service to our clients. We feel Patty will be able to help us maintain and improve the high standards we have established. We welcome Patty into our organization with much enthusiasm.

appreciate our collective efforts, and we know we're making a real difference."

### Keeping the Books

Boys & Girls Clubs of San Francisco delivers great services, and holds itself accountable to its volunteers, donors and the city. "But we don't just depend on our organization to make this happen," explained Connolly. "We rely on the expertise of others to help us be good stewards."

For instance, Lautze and Lautze plays an integral role in the Club's financial strength and soundness. "They not only know how a non-profit should be financially managed," said Connolly, "they push us to be better. It's never just do our books and walk away. They're cheerful, professional and they understand our challenges. They also help us with financial strategy.

"It's always about best practices to Lautze and Lautze, and we really appreciate their partnership. Because of their help, we can feel confident that we're the best organization that we can be. It's as simple as that."



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Lautze & Lautze is among the leading independent CPA firms in Northern California with two offices, eight directors and significant professional and administrative staff. Founded in 1945, Lautze & Lautze provides a wide array of business services including audit & accounting, tax and management consulting services to individuals, closely held businesses and corporations.

The information contained in this publication should not be acted upon without professional advice. While this newsletter is intended to be helpful, it should not be considered advisory without consulting a professional about your specific situation. Please convey any comments or inquiries to your accounting professional or to the editor of this publication. Copyright © 2007 Lautze & Lautze

Fall/Winter 2007  
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# On Your Account

## Making the Grade: Boys & Girls Clubs of San Francisco

Bill Cosby. Brad Pitt. Michael Jordan. What do these people have in common? They are all alumni of the national Boys & Girls Clubs of America. While many club alumni have achieved particular distinction in fields such as entertainment, business, politics, and sports, the average alumnus is not famous. Most have achieved success by getting an education, raising a family, serving their country, pursuing a career, or supporting the community.

This is true for thousands of youth in San Francisco as well. Boys & Girls Clubs of San Francisco first opened its doors in 1891, and is among the country's first 53 Boys & Girls Clubs organizations. Operating autonomously at a local level, this group serves more than 1,100 youth and teens every day at nine neighborhood clubhouses.

"Our goal is to inspire and enable young people to realize their full potential as productive, responsible and caring citizens," said Rob Connolly, President of Boys & Girls Clubs of San Francisco. "We're unique in that we offer a broad range of recreational, artistic and educational programs, supported by a philosophy that all young people can achieve extraordinary things when they are provided with high-

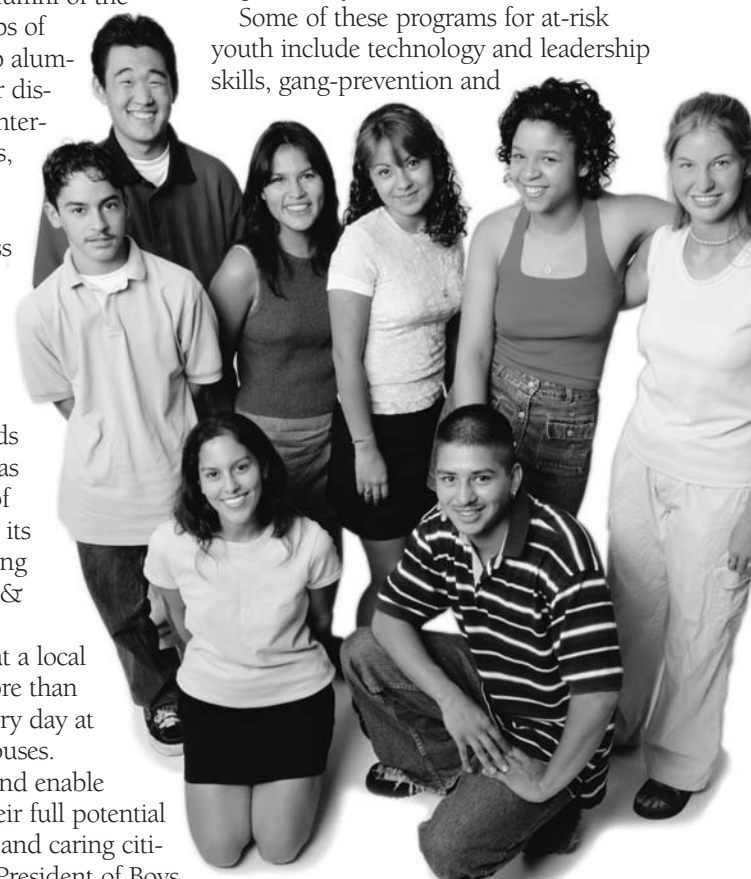
quality staff, programs and facilities in an environment that promotes respect, responsibility and fun."

Some of these programs for at-risk youth include technology and leadership skills, gang-prevention and

intervention, fine arts, and athletics. Boys & Girls Clubs of San Francisco also offers access to health services, daily homework assistance and tutoring, as well as special-

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**877-LAUTZE1 (877-528-8031)**



## Planning for Retirement Using IRAs

Mary Hafner, CPA, L&L Financial Edge

We all know what's good for us – eating well, exercising regularly, paying off credit cards, and...saving for the future! What if you learned of a new opportunity to create a six-figure retirement nest egg that is absolutely tax-free – not just tax-deferred, but tax-free!

Maybe you think you can't contribute to an IRA because you already contribute to your 401(k) plan at work (you can!). Maybe you think you can't contribute to an IRA because your spouse is the only one working outside the home (you can!). Maybe you think you can't enjoy the benefits of a Roth IRA because your income is too high (you can now under new legislation by following some simple steps!)

In 2006 Congress passed a new law that makes it possible for everyone – regardless of income – to convert a traditional IRA into a Roth IRA starting in 2010. This change is the key to building a six-figure retirement tax-free nest egg. Withdrawals from traditional IRAs, 401(k) and other retirement plans are taxed when you make the withdrawal, but withdrawals from Roth IRAs are completely tax-free if you've had the account for at least five years and you are over 59 1/2.

For high-income earners, here are three simple steps to take now to build a six-figure tax-free nest egg. Remember, keep contributing to your 401(k) plan – this tax-free nest egg can supplement your tax-deferred retirement funds at work.

### Step 1: Contribute \$4,000 to a traditional IRA by April 15th of 2007 for the 2006 tax year (\$5,000 if you are 50 or older).

Everyone, regardless of income level, can contribute to a traditional IRA – the only requirement is to have earned income. The contribution may or may not be

deductible when you file your 2006 tax return (this depends on your overall income level, and whether you, or your spouse, contribute to a retirement plan at work), but everyone can do this and benefit from tax-deferred growth.

Your spouse can also contribute \$4,000 to a traditional IRA (\$5,000 if 50 or older) – if he or she has little or no compensation, your earned income can be "borrowed" to enable the maximum contribution.

### Step 2: Do this for 2006 and 2007. Continue to contribute the maximum in 2008, 2009, and 2010 when the limits increase to \$5,000 (\$6,000 if you are 50 or older).

By the end of 2010 you will have accumulated \$23,000 (his) and \$23,000 (hers), plus the growth. Assume each account has grown to \$25,000 (that's \$23,000 principal and \$2,000 income) for a total of \$50,000.

### Step 3: In 2010 convert the traditional IRAs into Roth IRAs when the conversion limitation vanishes. Assuming none of your principal contributions were deductible, you'll only owe tax on the income.

Before 2010 a traditional IRA can be converted to a Roth only if your income is below \$100,000 (for married or single taxpayers). Under the new legislation, this limitation vanishes in 2010 and anyone can convert a traditional IRA to a Roth IRA with no strings attached. If you convert in 2010, the tax on the income only can be spread over two years, 2010 and 2011.

So, back to our example: assume you and your spouse convert \$50,000 of traditional non-deductible IRAs to Roth IRAs in 2010, and you are both age 50. You'll owe taxes of approximately \$1,800 from other funds (assuming the highest federal and California income tax brackets), but the \$50,000 nest egg can now grow tax-free. If you never touch the money, by age 66 you will have a tax-free nest egg of over \$100,000 (assuming an average of 5% investment return per year, and adjusted for the taxes paid upon conversion) (singles over \$50,000).

If you both keep working and each contribute the maximum allowable of \$6,000 per year, by age 66 you will have a tax-free nest egg of over \$390,000 (singles over \$195,000).

**Bonus:** with a Roth IRA you don't have to start making withdrawals at age 70 1/2. If you don't need the money in retirement, the funds can be left to your heirs income tax-free (not estate tax-free, but income tax-free)!

## CONGRESS RINGS IN THE NEW YEAR WITH TAX SAVINGS FOR ALL

Richard Pon, CPA, CFP®

Before Congress shut down for the holiday season, Congress was able to pass its third tax bill for the year. The 2006 Tax Relief and Health Care Act preserves a variety of popular tax breaks. Many of the tax breaks will be retroactive to January 1, 2006. However, many of the changes will not be reflected on official 2006 IRS forms and publications as these forms have already gone to the printer.

### Individual Tax Changes

**Tuition deduction** – The tax deduction for qualified higher education expenses is extended through 2007. The deduction allows taxpayers to deduct up to \$4,000 of higher education expenses in lieu of claiming the Hope or Lifetime Learning tax credits. The deduction is taken "above-the-line," meaning that it may be claimed by all individual taxpayers regardless of whether they itemize their deductions.

**State and local general sales taxes** – The tax break allowing individual taxpayers to elect to take an itemized deduction for state and local general sales taxes in lieu of the itemized deduction permitted for state and local income taxes is extended through 2007.

**Deduction for certain expenses of elementary and secondary school teachers** – The tax break permitting elementary and secondary school teachers and certain other school professionals to deduct up to \$250 of out-of-pocket costs incurred to purchase books, supplies and other classroom equipment is extended through 2007. The deduction is available to all individual taxpayers regardless of whether they itemize their deductions.

**Health savings account provisions** – The new law includes many changes for health savings accounts (HSAs), including: allowing one-time rollovers from health flexible spending accounts (FSAs) and health reimbursement arrangements (HRAs) into HSAs (after the enactment date and before 2012); repeal of the annual plan deductible limit on HSA contributions (after 2006); expanded contributions limit for part year coverage (after 2006); and allowing one-time rollovers from IRAs into HSAs (after 2006).

**AMT credit provision** – Starting in 2007, a

new law allows individuals to take advantage of a refundable credit with respect to certain long-term unused alternative minimum tax (AMT) credits existing before January 1, 2013. The annual credit amount, subject to a phase-out, is the greater of (i) the lesser of \$5,000 or the amount of the long-term unused AMT credit, or (ii) 20% of the amount of the long-term unused AMT credit.

This provision is designed to help taxpayers who wound up with AMT problems because of their exercise of incentive stock options. However, there is a phase out provision for high income individuals.

### Business Tax Changes

**Research tax credit** – The research and development (R&D) credit, which expired at the end of 2005, is extended to qualified

amounts paid or incurred during 2006 and 2007. In addition, for tax years ending after 2006, the new law enhances the credit by (i) increasing the rates of the alternative incremental credit and (ii) creating a new alternative simplified credit that does not use gross receipts as a factor.

**Work opportunity and welfare-to-work tax credits** – The work opportunity tax credit, which is a credit for wages paid by employers who hire individuals from certain targeted groups, and the welfare-to-work tax credit, which is a credit for wages paid by employers who hire long-term family assistance recipients, are extended in their current form for 2006 and combined in 2007.

**Leasehold and restaurant improvement recovery** – The accelerated write-off for certain leasehold improvements and restaurant

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property (depreciation over 15 years instead of 39 years) is extended through 2007. Straight-line depreciation must still be used.

In general, qualified leasehold improvement property is any nonstructural improvement to an interior portion of a building leased from an unrelated party.

### Enhanced deduction for corporate contributions of computer equipment for educational purposes

– The rule that encourages businesses to contribute computer technology and equipment to schools and libraries by allowing an enhanced deduction for such contributions is extended through 2007.

### Energy credit for certain business purchases

– The 30% business tax credit for the purchase of fuel cell power plants and solar equipment is extended through December 31, 2008. These credits are new as they initially were for the 2006 and 2007 tax years only. Similar credits exist for individual taxpayers.

### Deduction for energy efficient commercial buildings

– The deduction for energy efficient commercial buildings meeting a 50% energy reduction standard is extended for one year, through December 31, 2008. This deduction is new as it was initially for the 2006 and 2007 tax years only.

**Telephone Excise Tax Refund** – Although not part of the December tax act, the IRS announced procedures for individuals and businesses (including nonprofits) to claim a refund for the now defunct long distance excise tax. Individuals claiming the refund either have to calculate and document the amount of excise tax they actually paid, or they can claim a standard amount—ranging from \$30 to \$60 based on the number of exemptions claimed on the 2006 return.

Businesses and tax-exempt organizations may determine the actual amount of refundable long-distance telephone excise taxes they paid for the 41 months from March 2003 through July 2006, or use a formula to figure their refunds.

Businesses and tax-exempt organizations may figure their refund amounts by comparing two telephone bills to determine the percentage of their telephone expenses attributable to the long-distance tax. The bills they should use are April 2006 and September 2006 bills. You must first figure the telephone tax as a percentage of the April 2006 bill (which included the excise tax for both local and long-distance service) and the September 2006 telephone bills (which includes only local service taxes). The difference between these two percentages should then be applied to the quarterly or annual telephone expenses to determine the amount of their refunds. The refund is capped at 2% of the total telephone expenses for businesses and tax-exempt organizations with 250 or fewer employees. The refund is capped at 1% for those with more than 250 employees.

## Making the Grade: CPA Associates International



Lautze & Lautze is a member of CPA Associates International (CPAAI), an association of high-quality, independent CPA and chartered accounting firms that provide clients with professional accounting, auditing, tax and a variety of consulting services.

Founded in 1957, the market exclusive CPAAI network includes 148 members in 72 countries throughout the world. The Association's mission is to maintain a body of outstanding firms committed to exchanging ideas, information and expertise with the goal of improving the quality and profitability of individual practices while enhancing client service.

This network provides Lautze & Lautze with the capabilities of the largest accounting firm, yet allows us to maintain our regional practice and avoid costly overhead and unnecessary controls. We draw on the services of CPAAI and resources of fellow members to better serve our clients.

Lautze & Lautze hosted the CPAAI Western Region Meeting, held in San Francisco, January 14-15, 2007. Six regional CPA and financial services firms participated, including Cooper Norman, Gilbert Associates, Holmes & Turner, Lautze & Lautze, McDonald & Jacobs and Sobul, Primes & Schenkel. Presentations covered continuing professional education, accounting, audit and tax best practices to enhance client service and hiring and retaining quality professional staff. Breakout session topics included new SASs, data mining software, computer assisted audit techniques, estate planning trends, tax practice after SOX and corporate tax compliance, and client service productivity enhancements.