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Inside This Issue:

Meeting Advanced Client Needs **2**

Contractor Sales Tax Changes **2**

Advanced Livestock Tracker News **3**

Nebraska Unicameral Tax Updates **4**

Small Business and Work Opportunity Tax Act of 2007

On May 25, the President signed into law the Small Business and Work Opportunity Tax Act of 2007 (the Small Business Act). This legislation, designed to soothe the burden on small business of an increase in the minimum wage (see insert), contains an assortment of tax relief and revenue raising provisions. Here are the main tax provisions under the new Act:

The tax relief provisions in the Small Business Tax package:

- *Extend and liberalize the Work Opportunity Tax Credit.* The credit is extended for 3 ½ years with liberalized rules for hiring disabled veterans and workers in rural renewal counties.

- *Extend and enhance Section 179 Small Business Expensing.* The (Code Sec. 179) expensing limit is increased from \$112,000 to \$125,000 and the investment-based expensing phase-out is increased from \$450,000 to \$500,000, effective for tax years beginning after 2006, and the enhanced expensing provision is extended for another year (through 2010).

- *Enhance the tip credit for certain small businesses.* The Federal minimum wage level for purposes of calculating the tip credit is frozen, thereby allowing restaurants to continue claiming the full tip credit despite an increase in the Federal minimum wage.

- *Simplify family business tax.* An unincorporated business that is jointly owned by a married couple in a common law state (includes Nebraska) is permitted to file as a sole proprietorship. Under prior law, unless the married couple was located in a community property state, both the married couple and the business were subject to

penalties for failing to file as a partnership. The new law also ensures that both spouses receive credit for paying Social Security and Medicare taxes.

- *Liberalize several S corporation rules.* The new law contains several provisions beneficial to S corporations.

Revenue Provisions (Offsets)

The Act pays for the above benefits by:

- Broadening the kiddie tax rules to apply to (1) children to age 18, and (2) children over age 18 but under age 24 who are full-time students, but only if the earned income of these children doesn't exceed on-half of the amount of their support. (See article below.)

- Modifying the rule that the IRS must stop charging interest and filing related penalties if it fails to notify the taxpayer about a deficiency within 18 months after the taxpayer filed the return; the time limit is extended to 36 months.

- Eliminating the requirement that the IRS hold a collection due process hearing before issuing a levy on delinquent employment taxes.

- Extending tax preparer penalties to include all types of tax returns (e.g., employment, excise, exempt organization, estate, and gift tax returns) and increasing penalty amounts.

- Creating a new penalty for filing erroneous refund claims and increasing the penalty for bad check and money orders.

These are only the highlights of the most important changes in the new law. Contact your Contryman professional for more details on how you may be affected by this important tax legislation.

Minimum Wage Increase

The first minimum wage increase in 10 years is part of the Small Business Act. There are 3 phases to the increase:

July 24, 2007	\$5.85
July 24, 2008	\$6.55
July 24, 2009	\$7.25

Tax Credits for Rural Jobs

The recent Small Business Act has expanded the Jobs Tax Credit in a very significant manner that may have an impact on your business. For many years, the tax law has incited employers to hire disadvantaged workers by providing tax credits. The tax credit can be as much as \$2,400 for each person hired.

The new category of eligible workers includes an individual who has attained age 18 but not age 40 on the date of hire, and who resides in a county that lost population through the 1990s. The IRS has just identified those counties. In your area, those counties are:

Antelope, Banner, Boone, Box Butte, Boyd, Burt, Cedar, Chase, Deuel, Dundy, Fillmore, Franklin, Garden, Garfield, Greeley, Hayes, Hitchcock, Hold, Jefferson, Johnson, Logan, Nance, Nemaha, Nuckolls, Pawnee, Perkins, Red Willow, Richardson, Rock, Sheridan, Sherman, Thayer, Thomas, Valley, Webster, and Wheeler.

The new law is effective for individuals hired after May 25, 2007. However, employers have only 28 days after the date of hire to submit a certification request to their state workforce agency. IRS Form 8850 is used for this purpose.

Under this new definition, the individual does not need to be a disadvantaged person. They must simply reside in a rural county with the proper definition of a population loss, and continue to reside in that location during the period they receive qualifying wages from your business. This worker, in fact, could be a highly paid or managerial employee who simply happens to reside in a county that has experienced population losses.

Please let us know if we can assist in obtaining this credit for any new hires.

Our Plan to Better Meet the Advanced Needs of Our Clients

By Jeff S. Anderson, CPA, CFP®, PFS

We recognize that to provide clients the best possible service, we need to provide the best mix of our talented team members, especially as we expand the resources and services that we make available to each client. We especially want and need to use professionals throughout our firm – not just in one location - to meet higher level client needs. This means we are moving from an office by office approach to a firm-wide departmentalized approach in meeting client needs.

Our Tax Department is developing a data gathering process, as referenced in the next paragraph, to help assure that we are addressing our clients' most important needs. They will also be conducting "spotlights" on some of our clients. In the spotlight process, several tax department, and possibly other department specialists, brainstorm about issues facing specific clients, based on information from the client's tax returns and discussions they have had with our team members. Possible solutions are then brought to the attention of clients.

Our Audit Department has been effectively using team members from all of our locations to meet client needs for some time now. In fact, they helped develop some of the interoffice technology infrastructure we need to effectively make our most experienced team members available to more clients. Because the audit department has learned to effectively use team members from all locations on client engagements, they are now seeking larger engagements than we might have pursued in the past.

Our process for assuring that we address the needs of individuals and families in every financial area is called Method 10™ which includes these planning

areas: tax planning, estate planning, retirement planning, investment planning, disability and income protection, education planning, asset protection, debt management, business planning, and special situations.

To assure that we provide this level of service for all of our clients, the Contryman Tax Department is using a similar process for identifying the needs of our business clients. Our Business Solutions Process includes these key areas: identifying key business goals; tax planning; investment and capital planning; company retirement plan design; profitability analysis; risk management and insurance; business continuation and succession planning; management and operations structure; employee retention, benefits planning (other than retirement), and human resources; debt management; and special situations.

To align the experience and talents of our leadership team to be consistent with our vision for better meeting client needs on a firm-wide basis, we have made a few position changes. Joel Wiegand, Tax Shareholder, will lead our firm's Tax Department and remain as the office lead for our Grand Island office and on our Board of Directors. Chris Oppliger, Tax Shareholder, will act as one of our primary resources for advanced tax projects and issues firm-wide. He will continue to serve on our Board of Directors and on our Tax Committee. I will assume Hastings office lead duties as we groom other team members for that role. I will continue as Chairman, CEO, and President of Contryman Associates, P.C., and Wealth Advisors Network, Inc. d/b/a Contryman Wealth Advisors.

Securities offered through 1st Global Capital Corp. Member FINRA/SIPC. Investment Advisory Services offered through Wealth Advisors Network, Inc. d/b/a Contryman Wealth Advisors. Insurance services offered through 1st Global Capital Corp. and/or Wealth Advisors Network, Inc. Wealth Advisors Network, Inc./Contryman Wealth Advisors and 1st Global Capital Corp. are unaffiliated entities.

Nebraska Contractor Sales Tax Scheduled to Change

With the passage of LB 367 on May 18, **ALL** contractor labor is once again exempt from Nebraska sales and use tax. **Contractor labor which is currently being taxed remains taxable, however, until the October 1, 2007** effective date of LB 367.

The basic rules governing the collection and remittance of sales tax by contractors which are set forth in Revenue Ruling 1-06-02 (issued by the Nebraska Department of Revenue on May

4, 2006) may also be used for the upcoming October 1, 2007 change. Specifically, contractors collecting and reporting tax when the amount is **billed** must use the law in effect on the **billing date** to determine the taxation of their contractor labor charges. Contractors collecting and reporting tax **when payment is received** must use the law in effect on the **date payment is received to determine the taxation of their contractor labor charges.**

Contractors maintaining their regular books and records on the cash basis of accounting will continue to remit tax as payments are received. Cash basis contractors must use the law in effect on the date payment is received to determine the taxation of their contractor labor charges.

For more information on how this will affect your business, contact your Contryman professional.

QuickBooks® Training Offered

QuickBooks® Financial Software offers a quick and simple way to track sales and expenses, manage your business finances, and create invoices and reports. Contryman Associates QuickBooks® professionals are available to help with set up or provide solutions to problems you may encounter as you use the program.

We also offer training classes for new users and, at some locations, we are hosting QuickBooks® Lunch 'n Learn sessions for users of the software to learn more about a specific function of the program and to ask questions and share ideas with other attendees.

For information on training dates, times, and locations and for additional information, go to our web site, www.capc.com or call any Contryman office.

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Congratulations Contryman Team Members!

Congratulations to these team members who have been named to the Contryman Tax Committee: **Erin Cafferty** and **Julie Moller, CPA**, both from Hastings; and **Lachelle Beltz** from Grand Island. All are Senior Accountants for the firm. The Tax Committee is responsible for developing and maintaining Contryman tax policies and procedures. They join Executive Tax Committee members Joel Wiegand, Chris Oppliger, Rachele Bryant, Dan Charron, and Marlin Johnson

The Annual Contryman Client Service Excellence Award for 2006 was presented to **Joleen Stroyek**, an Accountant in our Hastings location, for her flexibility, professionalism and for the positive impression she has made on clients and team members.

Terri Lawver, Accounting Assistant in our Accounting and Payroll Division in Grand Island location, was the recipient of the Contryman Client Service Excellence Award for the 1st quarter of 2007. Terri was nominated for her positive attitude, her enthusiasm, and her willingness to help wherever she is needed.

Jada Thompson, CPA, Audit Manager in our Scottsbluff location, was recognized for being our first team member to complete the Graduate Level of the Contryman Academy. The Academy was developed to help achieve our Firm's vision of being the firm against which other firms are measured and to help our team members provide leading edge solutions for clients. The Academy helps Contryman team members develop their skills throughout their careers.

Linda Erickson, CPA, and Contryman Accounting and Auditing Department Lead has been named to the Accounting Advisory Board at the University of Nebraska - Kearney.

Advanced Livestock Tracker News

Advanced Livestock Tracker is a specialized software that allows users to track the day-to-day activities of cattle feedlots. It is easy to use and yields detailed information that is critical for the success of cattle feeding operations. The software and support are available exclusively from Advanced Computer Services, part of the Contryman Solutions Group.

Recent upgrades and optional modules have been added to the software to improve results for feedlot managers:

Bunk Reader Our recently developed Bunk Reader saves time and reduces costly errors by allowing users to enter bunk information directly into a computer. The Bunk Reader module assures accurate billing of feed and rations and assists in maintaining the maximum feed intake for each pen. Because it is independent of any nutrition or medical supply company, Bunk Reader allows managers to shop for best prices and products.

Periodic Feeding Some other feedlot programs require that feeding information be entered on a daily basis. We developed a Periodic Feeding module to allow our users to enter data for any number of days while maintaining accurate information and reports

Advanced Livestock Tracker II Advanced Computer Services has developed a version of their Advanced Livestock Tracker software specifically designed to accommodate the needs of smaller cattle feedlot managers. Advanced Livestock Tracker II features all the capabilities of the original software but is for feedlots with 20 pens or less.

Both versions of the software help managers determine the optimum time to buy or sell cattle and helps determine profit or loss on each pen. The programs allow users to enter up to 30 different rations and make adjustments to the rations as often as needed or recommended by their nutritionist.

Cattle owners like the accurate, easy to read statements and feedlot management appreciates closeouts that are simple to produce and give all the performance information they need.

For more information on Advanced Livestock Tracker, contact Advanced Computer Services 1-888-382-7227 or visit their web site at www.livestocktracker.com.

Congratulations to Contryman Wealth Advisors Team Members!

Christine Knezevic, Portfolio Analyst with Contryman Wealth Advisors at the Kearney location has earned the prestigious Chartered Financial Analyst® (CFA®) designation. The CFA charter is a globally recognized credential for investment analysis and management. The CFA Program sets a globally recognized standard for measuring the competence and integrity of financial analysts, portfolio managers and investment advisers. Currently, more than 76,000 investment professionals in 124 nations and territories hold the CFA charter.

Tom Molacek, CPA, CFP®, a shareholder of Contryman Associates, P.C., in our Grand Island location, has completed the requirements and passed the securities examination to allow him to provide clients with life and health insurance coverage through Contryman Wealth Advisors. Holding these licenses will help Tom better understand insurance products and options and allow him to offer the products when they fit a clients' needs as identified through our Method 10™ financial planning process.

Jeni Samples with Contryman Wealth Advisors in our Grand Island and Hastings offices has completed the requirements and passed the Series 7 and 66 securities examinations. With the passage of these examinations, she has been named Compliance Officer - RIA Operations.

CONTRYMAN

Solutions Group

Grand Island	308-382-5720
Hastings	402-463-6711
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Nebraska Unicameral Tax Updates

LB 367 Nebraska Senators passed a package of tax cuts May 16 totaling approximately \$425 million over the next two years. LB 367 includes changes to taxes on property, sales, estates, and income.

The bill provides state funding for a property tax credit for all real property owners. The credits will flow through county government based on valuation and appear on each taxpayer's property tax statement. The property tax credits will equal approximately \$105 million of property tax relief in FY 2007-08 and approximately \$115 million in FY 2008-09.

LB 367 also repeals the sales tax on construction labor (see story page 2). There is a new sales tax exemption for community based wind energy projects and the current tax credit for renewable energy projects was increased.

Additionally, the bill repeals the state's estate tax and the "marriage penalty" is addressed by adjusting the brackets for married taxpayers filing jointly so they will be twice the amounts for single filers. Standard deductions are also adjusted.

The earned income tax credit is increased to 10% of the federal credit. The bill eliminates a tax credit for businesses that provide employees with subsidized child care.

LB 338 A plan to increase the incentive for people to deposit money in college savings plans was given final legislative approval by increasing the state income tax deduction for contributions to a Nebraska educational savings plan trust account, commonly known as a "529 plan." A 529 plan allows people to place money in an investment account for the purpose of generating interest and providing funding for their children's future college education.

The maximum deduction for those married taxpayers filing separately is increased from \$500 to \$2500. The maximum deduction for all other participating taxpayers is increased from \$1,000 to \$5,000. The changes are effective beginning with the 2007 tax year.

LB 502 The changes in LB 502 are intended to ease the burden on immediate family who inherit small amounts. In Nebraska inheritance tax is assessed by counties on the individuals who receive an inheritance. The inheritance tax is not the same as the estate tax, which is assessed against the real property of the deceased and is collected by the state.

Immediate family members who inherit are currently taxed 1% of the inheritance, with the first \$10,000 being exempt. LB 502 increases the exempt amount to \$40,000.

Remote family members who inherit are currently taxed 6% of the inheritance with the first \$2,000 being exempt. The bill increases the tax rate to 13% with the first \$15,000 being exempt.

All other inheritances are currently taxed using a sliding scale with rates between 6 and 18% and various exempt amounts. Under the bill, these inheritances will all be taxed at 18% with the first \$10,000 being exempt.

Currently delinquent taxpayers are assessed a 14% interest penalty for late payment. The bill adds an additional late penalty for delinquent inheritance tax payers of 5% monthly with a maximum additional penalty of 25%.

The bill takes effect beginning with the 2008 tax year.

For more information on these and other tax issues, contact your Contryman professional.

Technology Update

Private Web Portal for Payroll Preparation

Many of our business clients are using our secure private web portal to conveniently transfer their data to our payroll professionals and to safely convey other confidential information that is needed for payroll preparation. Our web portal also allows business managers to access payroll documents at any time.

When you begin using our web portal, we guide you through initial setup including entering pay rates and withholding information for each of your employees. Then for each pay period, you would sign on to our secure web portal site and enter hours for each employee.

Paychecks generated can be directly deposited into your employees' accounts or printed on your printer for a very rapid turnaround. Security settings allow only managers or employees designated by the manager to access sensitive payroll information.

For more information on our private web portal and taking the pain out of payroll preparation, contact your Contryman professional.

E-Mailed Newsletter

Would you prefer to receive your copy of **CONTRYMAN Solutions** by e-mail? Simply send your e-mail address to contact@capc.com with "E-Mail my newsletter" in the subject line.

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