

Bormel, Grice & Huyett, P.A.

Update



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Bormel, Grice & Huyett, P.A. Recognized for Excellence



BWCC President H. Walter Townshend presents a plaque honoring Bormel, Grice, & Huyett, P.A.'s 35th Anniversary (left). Karen Smith from Governor Ehrlich's office presents proclamation (center). Laurel's Mayor Craig A. Moe presents proclamation to BG&H (right).

We are pleased to announce that Bormel, Grice & Huyett, P.A. was recently honored for successfully providing 35 years of accounting, auditing and tax services to businesses in the Baltimore

Washington Corridor. In recognition of this achievement, the firm received proclamations from the offices of Maryland Governor Robert Ehrlich, Prince George's County Executive Jack

Johnson, Laurel Mayor Craig A. Moe and Baltimore Washington Corridor Chamber President H. Walter Townshend. ■



Bormel, Grice & Huyett Business Scholarship Awarded

We are proud to announce the presentation of the fourth annual Bormel, Grice & Huyett Business Scholarship Award to **Madiha Siddiqui** of Laurel High School. Madiha was also recognized with a State of Maryland Merit Scholarship Award and the President's Award for Educational Excellence. Marlene Collins, our firm administrator and an alumna of Laurel High School, presented the scholarship at the school's senior awards night held on May 22, 2003. The Bormel, Grice & Huyett Business

Scholarship Award is presented annually to an area high school senior for scholastic achievement and interest in pursuing a business curriculum in college. Past recipients include students from River Hill High School in Clarksville, Atholton High School in Columbia, and St. Vincent Pallotti High School in Laurel.

Congratulations to Madiha Siddiqui and the 2003 graduating class of Laurel High School. ■

New Tax Law Highlights Acceleration of Benefits

On May 23, 2003, Congress passed the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). This tax cut package is the third largest in United States history. President Bush's original focus was to make permanent the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). EGTRRA is scheduled for elimination by December 31, 2010. Following is a brief highlight of the tax changes. Changes include marginal tax rate adjustments, expansion of 10-percent tax bracket, reduction of dividend and capital gain tax rates, marriage penalty relief, increase in alternative minimum tax (AMT) exemptions and additional depreciation deductions for small business taxpayers.

The new law accelerates the decline in marginal tax rates over the next four years. The reduction in rates scheduled for 2006 became effective January

1, 2003. In addition to reducing tax rates, the plan calls for the expansion of the 10-percent tax bracket to include a larger portion of taxable income. This change takes place in 2003 instead of the original date of 2008. Changes to the child tax credit includes raising the maximum credit per child from \$600 to \$1,000 and as a bonus to qualifying families, advanced payments of the increased credit were mailed to taxpayers starting in July 2003. Other changes include the reduction in capital gains rates from a maximum of 20 to 15 percent after May 6, 2003 through December 31, 2007, and for most taxpayers dividend income received from domestic or a qualified foreign corporation will be taxed at a maximum rate of 15 percent.

Small business owners will also benefit from the new laws. The new law increases first year bonus depreciation to 50 percent for property acquired

as of May 5, 2003 and before January 1, 2005. JGTRRA allows assets under code Sec. 179 to be expensed up to \$100,000 for qualified property placed in service during the year.

The JGTRRA offers an immediate and prolonged effect on income tax filing. Take note that this new law has accelerated benefits and creates a web of retroactive, temporary and phased-in/phased-out effective dates. Additional tax planning will be necessary to benefit fully from these new laws. If further information is needed on the tax law changes resulting from JGTRRA, please contact our office and we will be happy to provide additional information. ■

Maryland Annual Report Fee to Increase to \$300 for Most Legal Entities

As a result of a change in State law, the annual report fee for most legal entities will increase to \$300. This fee is for the privilege of maintaining a legal entity's existence in Maryland, and is due and payable with the filing of the personal property return. The increase is effective for any return, regardless of year, filed after 12/31/2003 and applies to the following legal entities:

Domestic/Foreign Entities	New Fee Effective 1/1/04	Fee Through 12/31/03	Payable With Form #
Stock Corporations	\$300	\$100	1
LLCs	\$300	0	1
Limited Partnerships	\$300	0	1
LLPs	\$300	0	1
REITs	\$300	\$25	1
Banks	\$300	\$100	AT3-75
Savings & Loans	\$300	\$100	AT3-75
Credit Unions	\$300	\$100	15
Financial Institutions	\$300	\$100	AT3-28

There continues to be no annual report fee for non-stock corporations, business trusts, churches, foreign interstate companies, foreign insurance companies, sole proprietorships and general partnerships, but these entities must still file a personal property return annually.

As a result of the changes in the law, Charter filing fees also increase as of July 1, 2003. Listed below are examples of the fee changes.

- Legal Entity Formation fee is \$100 (plus an Organization and Capitalization fee for Corporations)
- Articles of Dissolution, Revival, Share Exchange, Transfer or Merger have a base fee of \$100
- Change of Principal Office, or Name or Address of Resident Agent is \$25
- Certificate of Correction fee is \$25
- Trade Name Filing Fee is \$25
- UCC Document of 8 pages or less is \$25
- Certificate of Status fee is \$20
- Expedited Service Charge for a Certificate of Status, a Name Reservation, or an Abstract of a Corporate Record is \$20
- Certification of Copies is \$20 plus \$1 per page

For a complete listing of the fee changes for each type of transaction, you can obtain a pamphlet from the State Department of Assessments and Taxation beginning June 16, 2003. Contact the Charter Division at **410-767-1340** or on the web at **www.dat.state.md.us**. ■

The Supreme Court Cracks Down on Telemarketers

The Supreme Court has ruled that states may enforce antifraud laws when fundraisers make misleading or false statements designed to deceive donors about how their donations will be used. Telemarketers who claim that most of the money collected will go to the designated charity, when in reality, goes to the telemarketing firm, may be subject to prosecution for fraud.

This unanimous decision written by Justice Ruth Bader Ginsburg in an Illinois case holds that the First Amendment protects the right of the organization to engage in fundraising, but not to deceive potential donors about how much of a contribution actually goes to a charity. The act of fraudulent charitable solicitation is considered unprotected speech. However, high fundraising costs do not, by themselves, establish fraud. Telemarketers can legally enter into contracts where they receive a majority of the funds collected as their fee. Nor does the failure to voluntarily discuss the fundraiser's fee when contacting a potential donor constitute fraud.

What does this mean for non-profits that use fundraising/telemarketing

organizations for a source of income and also, what does it mean for potential donors?

First of all, non-profits can continue to use fundraising/telemarketing companies to generate income. The First Amendment protects this. A high percentage of donated funds spent on fundraising is, in and of itself, not an indicator of fraud. Nor does the telemarketer have to voluntarily disclose what percentage is a fundraising expense. However, the telemarketer cannot suggest that 90% of the donations will go to the charity when its fee was 85% of the donated funds as was the situation in the Illinois case. To put it another way, you cannot lie about where the money goes. As Justice Ginsburg wrote, "When bare failure to disclose that information directly to potential donors does not suffice to establish fraud, when nondisclosure is accompanied by intentionally misleading statements designed to deceive the listener, the First Amendment leaves room for a fraud claim."

Several organizations have been upgrading or adopting standards that relate to charitable giving. The

Better Business Bureau has established a BBB Wise Giving Alliance, which has developed standards for charitable accountability. The standards were designed to foster public confidence in charitable organizations and assist donors in making sound giving decisions. The BBB recommends that spending on fundraising should be no more than 35% of the related contributions. The United Way, for example, has upgraded its accountability and financial standards for membership and implementation, which began with their 2002 campaign.

Donors will need to do their homework on charities that solicit over the telephone. The goal is to learn as much as you can about the charity if you are interested in making a donation. The donor should inquire about the charity's mission, use of resources, fundraising costs, access to recent financial statements and Form 990 and whatever else the donor feels may be relevant.

There are several organizations that can assist the donor in ascertaining the charity's status. One is the BBB Wise Give Alliance mentioned above. Another is a relatively new organiza-

tion called Charity Navigator (www.charitynavigator.org) that is located on the Internet. Both provide some basic information and analysis on the charity, although some smaller charities may not be listed.

When the economy is in a downturn or stagnant, there is a decrease in discretionary spending and a smaller pool of dollars available. For a growing number of charities, there is increased pressure on the nonprofits to maintain their levels of revenue. This can lead to questionable fundraising practices and the inevitability of cases such as the Illinois case. The Supreme Court will be called upon from time to time to clarify the issues. In this case, The Supreme Court ruled, "Consistent with our precedent and the First Amendment, States may maintain fraud actions when fundraisers make false or misleading representations designed to deceive donors about how their donations will be used." ■

QuickBooks Solutions (www.quickbooks.com)

Many small business clients are using the software program QuickBooks to manage their finances. Some of the most common questions we get asked are:

What is the latest version of QuickBooks?

Why is my program running so slowly?

My hard drive crashed. What do I do?

As technology is constantly changing, following are some highlights to help address these issues.

LATEST VERSION

QuickBooks 2003 is the latest version and there are several options summarized.

See the QuickBooks web-site for further details or feel free to call us with any questions:

Premier – starting at \$379, creates a forecast, tracks inventory finished goods, enhanced journal entry options, etc.

Pro – starting at \$179, integrates with Microsoft Word and Excel, and capable of simultaneous users.

Basic – starting at \$99, prints checks, processes payroll, creates invoices, etc.

Online – starting at \$19.95/month, works over the Internet and allows access to finances anywhere.

CONDENSING DATA TO MAKE QUICKBOOKS RUN FASTER

After several years of entering daily transactions, your QuickBooks file may become so large that the speed at which it operates is compromised. One way to solve this problem is to periodically condense your data that is two years or older. Condensing your company data file summarizes the transactions from previous years and reduces the size of the company's file. After you condense your data you can still create reports that summarize financial activity, although you will lose the transaction detail.

BACKUPS

Remember to take the time to regularly back-up your QuickBooks data. Always rotate backups so there is at least one recent backup on-site as well as one recent backup located off-site in case of emergency. For assistance with all of your QuickBooks needs, or to determine if QuickBooks is an optimum alternative for your business or organization, contact your BG&H account representative. ■

Client Profile:

Bormel, Grice & Huyett, P.A. is proud to feature our client, **WASHINGTON REVELS**.



An established cultural institution in the Washington area for over 20 years, the **Washington Revels** is best known for its Christmas Revels at The George Washington University's Lisner Auditorium. Each year, the eight performances over two weekends in early December draw over 10,000 people; and a special dress rehearsal is performed free of charge for another 1,400 low-income DC residents. Additional performances, workshops and classes take place throughout the year. Revels maintains an active community outreach program, and, in partnerships with the Library of Congress and the Smithsonian Institution's Discovery Theater, conducts special performances for area school children.

The Revels began 30 years ago in Cambridge, Massachusetts and is now in 12 cities across the United States. Originally, performances were based on traditional English material and set in the Middle Ages. The family-friendly, interactive productions now explore traditions from many

time periods and cultures including Celtic, French, Russian, Scandinavian, Italian Renaissance, and African American.

Like all Christmas Revels, this year's production will celebrate the 2003 winter solstice and the turning of the new year by engaging audiences in the traditional music, dance, drama and folktales of a particular time and place. The 2003 Christmas Revels will follow the epic journeys of the Roma—known as the Gypsies—from Northern India to Europe. Audiences of all ages will delight in the fireworks of Diwali from Northern India, the music of Eastern Europe, the story of Sara Kali from Saintes Maries de la Mer in France, and the passionate Gypsy flamenco music of Spain.

More information on the Washington Revels and 2003 Christmas Revels at Lisner Auditorium December 5th – 14th is available online at www.revelsdc.org, or by calling (202) 723-7825. ■

Tax Due Date Calendar

AUGUST 15th

Last day for filing 2002 income tax return by individuals who obtained an automatic four-month filing extension.

SEPTEMBER 2nd

Due date for Heavy Vehicle Use tax return (Form 2290).

SEPTEMBER 15th

Third quarter calendar-year corporation's estimated tax payment due for 2003. Third quarter individual or trust's estimated tax payment due for 2003.

Last day for filing 2002 income tax returns by calendar-year corporations that obtained an automatic six-month filing extension.

OCTOBER 15th

Last day for filing 2002 individual income tax returns for those who obtained an additional two-month filing extension.

Last day for filing 2002 Annual Return/Report of Employee Benefit Plan (Form 5500) for those who obtained a two and one half-month filing extension.

OCTOBER 31st

Third quarter 2003 payroll tax returns due.

DECEMBER 15th

Payment of last installment of 2003 estimated tax by calendar-year corporations.

BG&A NEWS

We are pleased to announce the addition of **Michael Elliano**, CPA, to our staff. Michael most recently worked for the CPA firm of Deloitte Touche and has served in the United States Air Force. Michael is a graduate of the University of Maryland, College Park.

On May 24th, **Catherine Phair** walked down the aisle and exchanged vows with her new husband. We would like to introduce to you, for the first time as husband and wife, **Mr. and Mrs. Brian Newman!** Congratulations and best wishes from the partners and staff of BG&H. We wish you both many years of love and happiness.

We are sending our "Get Well Wishes" to **Donna Kibler** who has been hospitalized with a serious illness. You are in our thoughts and prayers every day Donna. We all miss you very much. Get well soon.

Larry Bormel recently spoke at River Hill High School on "Accounting: The Door to Business Opportunities."

Bormel, Grice & Huyett, P.A. sponsored a 2003 basketball team through the Howard County Recreation and Parks. The Bormel, Grice & Huyett team members included **Ray Plummer**, **Brian Jordan** and **Larry Bormel**. Other participants were **Kevin Wilsey**, **Morgan Gale**, **Michael Taylor** and **Brad McMullen**. The team started out winning three of their first four games, but could not maintain its torrid pace. The team dropped three games by four points or less. Our thanks to the team's coach Ray Plummer, who also was the leading scorer with an average of 20 points per game.

During our annual picnic, **Martina Megofna** organized our silent auction to benefit the Bormel, Grice & Huyett Business Scholarship Fund. Thank you to all company staff and firm friends who assisted us in making this event a success.

If you haven't already done so, please visit our web-site at www.bormel-grice.com. Through our web-site you can access information about

our firm and its specialty groups, the latest issue of our newsletter, and links to other sites such as Maryland Comptroller of the Treasury, Maryland Association of Certified Public Accountants, American Institute of Certified Public Accountants, Baltimore/Washington Corridor Chamber, State Department of Assessments and Taxation, Bloomberg Financial Services, and some of our client web-sites. Your comments and feedback are welcome and appreciated.

The BG&A UPDATE is published for our clients, staff and professional contacts. Copies will be provided to other business people upon written request. Any action based on information contained herein should be taken only after a detailed review of the specific situation.

The following members of our firm have contributed to this edition: **Larry Bormel**, **Marlene Collins**, **Donna Peirce**, **Ray Plummer**, **Rod Burr**, **Brenda Cummings** and **Edie Manney**.