



Wiss Moves Into New York City

Wiss Combines New York City High Net Worth Practice into Its Operations



Wiss & Company, one of New Jersey’s leading accounting and consulting firms, is pleased to announce that the practice of Behan, Ling & Ruta, CPA’s, P.C. has been added to the firm effective April 1, 2007. The addition of the BLR practice, with its office at 475 Park Avenue South in New York City, brings 15 staff and two new partners to Wiss. According to Jeff Campo, Managing Partner of Wiss, “The BLR group strengthens Wiss’ expertise in the high net worth individual sector, fulfilling our strategic intent to expand our expertise and presence in that area.” Adds Campo, “The addition of Thomas Ruta and Michael Romeo as partners, as well as a strong support staff, brings a unique mix of skills, leadership and reputation that is compatible with the Wiss philosophy and approach to client service. The synergies created will result in a stronger organization well suited to serve this special market.”

For Wiss, which is headquartered in Livingston with an additional office in Iselin, the transaction extends the Firm’s presence beyond its New Jersey roots to the heart of New York City. According to Campo, “Wiss views this as an opportunity to expand its practice by offering specialized non-traditional service in the most exciting and vibrant market in the world.”

It’s Easy to Be Green...



In this day of heightened environmental awareness, the Wiss Advisor has switched to recycled paper. In the very near future, we will further reduce our paper usage by offering electronic delivery.

TEN SIMPLE THINGS YOU CAN DO:

- Use compact fluorescent bulbs. Replace three frequently used light bulbs with compact fluorescent bulbs and save 300 pounds of carbon dioxide and about \$60 a year.
- Save the water bottle. Sick of watching your recycle bin fill up with water bottles? Time to buy a reusable water bottle.
- Pull the plug on electronics and chargers. Mobile phones, BlackBerry devices, iPods, digital cameras and other electronics use energy, even if they are turned off, if the charger is still going.
- Take shorter showers. Water for bathing accounts for two-thirds of all water-heating costs.
- Buy a hybrid car.
- Create idle-free zones. Schools, churches, synagogues, libraries, shopping malls and anywhere that accommodates a large number of vehicles are prime spots for signs requiring vehicle engines to be turned off to help cut fuel emissions and improve air quality.
- Buy local food products. You may pay a bit more in the grocery store, but buying locally grown products helps the earth because less fuel is required to transport your products to market. Additionally, buying goods that require less packaging may help reduce your garbage.
- Bring cloth bags to the market. Tote your own cloth bags to the store instead of plastic and paper bags, reducing waste and requiring no additional energy.
- Put on a sweater instead of turning up the heat in your home.
- Use recycled paper. Switch your home and business paper products to 100 percent post-consumer recycled paper, saving countless trees and five pounds of carbon dioxide per ream of paper.

Source: Associated Press

IN THIS ISSUE

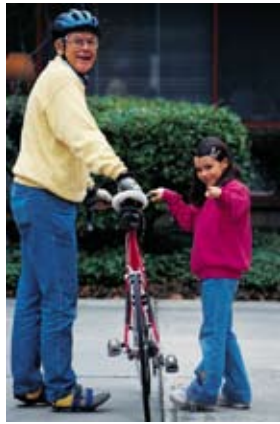
So You Think You Can Retire?	2	UEZ Registrants	3	Property Loss/Business Interruption	5
New Hires, New Strengths	2	SBWOTA of 2007	4	Upcoming Tax Dates	5
Wiss University	3	In The News	4	Hidden Savings	5

*New Hires,
New Strengths*

So You Think You Can Retire?

Successful exit planning begins the day you commence business

By Michael J. Lee



A comfortable retirement is the ultimate goal of a business owner. Whether you imagine yourself on a golf course, traveling to exotic locations, or falling asleep with a fishing pole in your hand, you most certainly deserve to reap the rewards of your labor.

Are you ready? Or are you too busy working in the business to work on the business?

Prosperous business owners know that success does not occur without planning and hard work. Yet most owners have absolutely no strategy for leaving the business they worked so hard to create. This precarious position directly conflicts with the risk-averse nature of the typical business owner. Exit planning is precisely what the prudent entrepreneur should consider given that the principle purpose is to provide assurance – both personal and professional – in times of transition.

The reality is that you and your business are constantly changing, and sooner or later the pursuit of more leisurely activities will conflict with the demands of your business. When the Company requires too much of your time, will you know how to remove yourself from day-to-day management? To what extent will you want to remain involved in the business, if at all? To whom would you entrust it? The questions are numerous and not easily answered.

On the other hand, suppose the unexpected happens. How do you ensure continuity and stability if you become disabled, go through a divorce, or die? And, if you have a business partner, the situation becomes even more complicated. While these circumstances may be unpleasant to think about, you cannot ignore their possibility and risk an unwelcome consequence. Caught off guard, your options are instantly limited and you have placed yourself and your family in a position that will likely yield an undesirable result — liquidation, financial uncertainty, family squabbles — to name a few. For the best possible outcome, you cannot wait for a crisis to begin your planning your exit.

A comprehensive succession strategy will cover both voluntary and unexpected departures. If you have a business partner, you should also have a solid buy-sell agreement that deals with the expected or the unexpected. It should also sort out the circumstances involved if you and your partner want to take the business in different directions.

IN THE PROCESS OF PLANNING, YOU WILL NEED TO CONSIDER THE FOLLOWING:

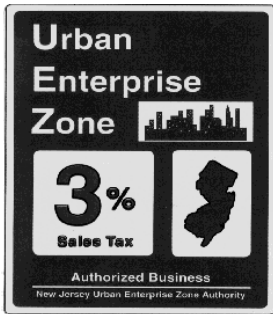
- Your mental preparedness for retirement. Allow yourself time to develop interests outside the business. Will you be ready to step away and hand over the reins?
- Creating wealth outside your business. You should diversify your wealth by taking advantage of the tax benefits of retirement accounts in addition to other investment instruments, such as securities or real estate. Do not put yourself in a position where your business is your only retirement fund.
- Adequacy of insurance. You need to assess the adequacy of your life and disability insurance as well as health coverage that carries forward into retirement.
- Your personal needs in retirement. You need to figure out your financial needs in retirement in order to determine if you can gift the business to your successor or need to sell it. Or, perhaps you want to remain a passive investor.
- Identifying the right successor. Your best choice for a successor may not be a child. You need to determine who has the ability, motivation and the commitment to take the reins.
- Grooming your successor. Once identified, you will need to provide training for your successor in every aspect of the business.
- Keeping your family and key employees in the loop. To avoid misunderstandings, you must communicate your intentions.
- Determining the value of your business. The best method used to calculate the value of your business will depend on its disposition (i.e., gift or sale).

continued on page 5

Proposed Bill Will Ease Burden on Some UEZ Registrants

By Chaim Kofinas

Assembly bill A3938 was introduced and reported on in March 2007, and is intended to ease the reporting burden of certain businesses located in an Urban Enterprise Zone (UEZ). Under the bill, businesses that only have locations within a UEZ would be able to resume buying goods and services without paying the 7% state sales tax at the point of purchase. They would no longer be required to pay the tax and then file for and request a refund.



As we previously reported (Wiss Advisor January 2007), business entities with gross annual receipts of more than \$1 million are now required to pay the tax or self-assess tax on purchased goods and services. They then must apply to the state for refund of such paid tax. The changes adopted last July were intended to thwart abuses by some companies with locations both inside and outside these UEZs. Purportedly, these businesses with multiple locations were purchasing supplies for all their locations tax-free (at the location within a UEZ) at an estimated loss of \$100 million in sales tax revenue to the State.

New Jersey lawmakers noted that changes instituted last July have placed an undue record keeping burden on businesses with locations only within UEZs and have advanced this bill (A-3938) to ease this constraint.

Opening Our Doors to the Wiss Wildcats

On May 1, Wiss & Company, LLP proudly opened the doors to Wiss University. The brainchild of Jeff Campo and Edward G. O’Connell, Wiss University (or “Wiss U”) goes beyond the traditional model of job training and sets a new tenor for continuing education. Its mission is threefold: 1) to provide opportunities for employees to enhance their technical and leadership skills, 2) to build on the Wiss legacy of professional excellence and business leadership, and 3) foster and encourage a team work environment.



“If you instill a culture of learning within a company and, at the same time, provide opportunities for employees to apply new knowledge and skills,” says O’Connell, Dean of Wiss University, “people respond positively.” The Wiss U staff, a young and enthusiastic group of managers, have even adopted a mascot and created a logo, Wiss Wildcats, to bring back collegiate memories and build team spirit.

The most successful corporate universities are used as strategic leverage for the parent company, achieved when the goals and objectives of each are aligned. In accounting, the demand for talent is great, the supply is short, and client loyalty is largely dependent on service delivery and relationships. Further, the role of a good accountant is evolving into knowledgeable business advisor, a function not necessarily developed in undergraduate or graduate studies. Wiss U objectives are aimed at the cultivation of individual knowledge. The resulting benefits include acceleration of the career track, high employee morale, increased employee retention, and improved client service.

Wiss U curriculum includes core technical skill development at several professional levels, knowledge enhancement directly related to an industry or service line, soft skills and the use of technology. A special course of study is focused on women’s issues in business. Wiss U will also be a conduit for philanthropic endeavors, creating opportunities for civic involvement and encouraging leadership roles outside the workplace.

In the future, Wiss U hopes to expand its curriculum to include a Controller/CFO series designed to reach out to Wiss clients and prospects.

Small Business and Work Opportunity Tax Act of 2007

By: Kevin J. Kerrigan

On May 25, the President signed the Small Business and Work Opportunity Tax Act of 2007 (SBWOTA). Passed in conjunction with legislation to continue funding the war in Iraq and to raise the minimum hourly wage, the tax-related provisions are designed in part to provide benefits to small businesses likely to be hit hard by the minimum wage increase.

Following are highlights of key provisions affecting businesses and individuals, as well as GO Zone incentives and other areas of tax law.

BUSINESSES

The Section 179 election to expense property in its initial year (rather than depreciate it) is extended through 2010 and increased from \$100,000 to \$125,000, effective for years beginning after 2006. The expense deduction begins to phase out if more than \$500,000 of eligible property is placed in service during the year (up from \$400,000). These amounts will be adjusted for inflation annually.

The Work Opportunity tax credit, which had been set to expire Dec. 31, 2007, is extended until September 30, 2011. This credit is available to businesses that hire employees from targeted groups of individuals, such as veterans, ex-felons, high-risk youth, and food stamp and supplemental security income recipients. The new law expands this list to include disabled veterans and individuals in counties that have suffered significant population losses. If you hire a target employee, your business can receive a 40% tax credit for the first \$6,000 paid to that worker.

The individual and corporate alternative minimum tax (AMT) limits on the use of certain credits are waived, effective for years after 2006 as well as for carryback of these credits. This applies to the Work Opportunity credit and the credit for taxes paid on employee tips. Employers are also now eligible for the full tip credit despite the increase in the minimum wage.

INDIVIDUALS

The new law also affects some individual taxpayers. The “kiddie tax,” which subjects children (and now young adults) to tax on most unearned income at their parents’ marginal tax bracket, had recently been expanded to include those under age 18 (up from age 14). Now, SBWOTA broadens that rule to include those who qualify as dependents because they are either under age 19, or under age 24 and a full-time student, if their earned income doesn’t exceed one half of the amount needed for their support.

GO ZONE INCENTIVES

In addition, SBWOTA extends several tax incentives designated for the Gulf Opportunity Zone (GO Zone):

- The increased Sec. 179 expense election, which is generally doubled for qualifying property, is extended through 2008.
- The low-income housing tax credit for GO Zone housing is extended through 2010.
- Tax-exempt bond financing for GO Zone property is expanded to include expenses for all repairs and reconstruction. The provision applies to owner financing provided after May 25, 2007, and before 2011.

OTHER CHANGES

Finally, the act subjects tax return preparers to increased levels of penalty for the redefined category of “unreasonable positions” taken on a tax return, as well as for the category of “willful and reckless” tax positions. The legislation also makes certain changes in the pension and S Corporation area, as well as numerous other minor changes and technical corrections.

Scott Clelland, Partner, addressed officers from the Government Finance Officers Association on the impact of SAS 112. His article was published in GFOA Magazine and New Jersey League of Municipalities and KeyPost.

Jerry Killian, Partner, teaches “Basics of Construction Accounting” at Rutgers University

Michael L. LaMotta, Partner-in-Charge, Tax Services, has been elected to the Board of Trustees of Montgomery Academy, a private nonprofit school located on the Mendham/Peapack-Gladstone border.

Michael J. Lee, Partner, recently addressed franchise owners at the Lawn Doctor National Conference and Trade Show on Exit Planning (see related article on page 2).

Steve Mizrach, Partner participated in a panel discussion at the NJTC Bootcamp.

Leo J. Zatta, Partner, spoke at the Essex County Bar Association Annual Meeting in St. Thomas on the Tax Ramifications of Defense of Marriage Act for Partners in Civil Unions.

Leo J. Zatta, Partner, participated in a panel discussion on “Civil Unions & Same Sex Relationships” at the joint Bar Foundation of Union County and Women Lawyers in Union County annual Hon. William J. McCloud Award dinner.

If you have any questions regarding this article, please contact Kevin Kerrigan, CPA, Partner at kkerrigan@wiss.com or 973-994-9400



In The News

So You Think You Can Retire?

continued from page 2

- Review the plan. Whenever any major change occurs in the business or with those associated with it, your plan will need to be updated. At a minimum, an annual assessment is recommended.

There's plenty to consider, so you should not go it alone. To adequately develop a plan that meets your objectives and addresses all your concerns, it is wise to make use of advisors to help you through the process. Experienced financial and legal professionals will ensure all your personal circumstances are considered and addressed. They will help you identify your goals, formulate the legal and business strategies to achieve those goals, and implement the plan. Moreover, advisors keep it objective and keep it focused, a vital service for a business owner who is invested emotionally as well as financially.

It is never too soon to plan for business departure. You want to be prepared for the day when you trade your laptop for golf clubs, a plane ticket, or a fishing pole. You want to be able to say with confidence, "I am ready."

If you have any questions regarding this article, please contact Michael Lee, CPA, Partner at mlee@wiss.com or 732-283-9300



Property Loss / Business Interruption

By Anthony R. Calascibetta

Business interruption can take many forms, ranging from the most obvious physical catastrophes like fire or flood to theft of intellectual property. When it happens to you, your insurance company is naturally one of your first calls. For the most efficient result, however, you should not stop there.

One of your first phone calls should be to your accountant. Your adjuster will often hire an accounting firm, especially when dealing with a complex claim, and you should as well. Some policies even cover the cost for you to engage an independent accounting firm.

Your expectation and your insurer's goal is an expedient, trouble-free claims settlement. For that to happen, you will need to submit a thoroughly documented claim submission that is easily understood. What does that look like? It is an independent report that establishes an audit trail with clear references to the supporting documentation. This document is critical as it is the basis for subsequent negotiation and settlement.

The more complex the claim, the greater the need to employ an accountant that specializes in insurance claims (i.e., loss accountants, forensic accountants). These professionals operate in a unique environment for which there is no better training than experience. A seasoned loss consultant is conversant in concepts that are inherent in insurance policies rather than GAAP. Various alternate scenarios and hypothetical results also need to be considered. What would the company have earned had the event resulting in loss not happened?

STEPS TO A SMOOTH CLAIM SUBMISSION:

1. Hire your own independent accounting firm. The insurer's goal is the same as yours – to settle your claim fairly and in a timely fashion. Having your own accountant involved from the start will help expedite the process.
2. Develop and maintain an open dialogue with the adjuster. Many areas of the policy are subject to various interpretation (or misinterpretation). The faster misunderstandings are cleared up, the sooner the resolution.
3. Identify a key contact. Leading the claim process on your behalf should be someone in your company with enough authority to muster the necessary resources to accomplish whatever needs to be done. All communication within the company and with the adjuster should be funneled through this team leader.
4. Assemble a claim team. Your team, led by your key contact and accountant, should include representation from all departments, such as accounting, risk management, operations, marketing and legal.
5. Create a timetable and coordinate efforts to avoid delays.
6. Maintain a log of information requested and sent.
7. Gather documentation. Typical documentation needed includes:
 - a. Profit and loss statements
 - b. Inventory reports
 - c. Cost accounting reports
 - d. Invoices and purchase orders
 - e. Historical sales and production records
 - f. Forecasts and budgets

If you have any questions regarding this article, please contact Tony Calascibetta, CPA, Partner at acalas@wiss.com or 973-994-9400



Important Upcoming Tax Dates

June

Businesses required to file monthly sales and use tax. Monthly filers required to file Form ST-51 for sales and use tax collected in May.

July

Extended Fiduciary Income Tax Return (Form NJ-1041) due.

Extended Partnership Income Tax Return (Form NJ-1065) due.

August

Extended Individual Income Tax Return (Form NJ-1040) due.

Monthly depositors required to file Form NJ-500 and deposit withheld income taxes for July.

Hidden savings

Civil engineering firms can qualify for research and development tax credits.

By Paul L. Peterson

The research and development (R&D) tax credit is one of the Internal Revenue Service's (IRS) best-kept secrets. Many engineering executives have never even heard of it, and most engineering firm principals and managers likely underestimate - or ignore entirely - the amount of R&D their firms conduct, missing a potentially tremendous cost savings in the form of R&D tax credits.

Most engineering executive don't recognize many of their own firm's R&D efforts, such as improvements in specification designs, modeling, and infrastructure investments. Managers frequently view these activities simply as normal and ordinary business operations. In doing so, you are missing the opportunity to recoup as much as 10 percent of related expenditures as R&D tax credits—a dollar-for-dollar credit against your tax liability, in addition to normal tax deductions for R&D expenses.

WHAT QUALIFIES AS R&D?

R&D is a documented, systematic, step-by-step process of experimentation that is technological in nature. At its most basic level, research is a planned effort to gain new knowledge that will hopefully be useful in developing a new product, service, process, or technique, or in bringing about a significant improvement to an existing product or process. Development is the translation of your research findings from theory to practice.

Engineering activities that typically qualify as R&D include the following:

- experimenting with new materials and integrating the materials to improve products or processes;
- analyzing functional requirements;
- performing engineering to evaluate new or improved specifications/modifications in terms of performance, reliability, quality, and durability;
- conceptual design, testing, and modification of possible product or process alternatives;
- design, construction, and testing of prototypes and models;
- design of tools, jigs, molds, etc. involving new technology;
- engineering activity required to advance the design of a product to the point that it meets specific functional and economic requirements and is ready to be constructed;
- experimenting with new technologies; and
- searching for applications of new research findings or other knowledge.

GETTING CREDIT

The process to help a company determine and apply for R&D tax credits is a complex process, but one that can be extremely lucrative. A recent engagement that Wiss & Company completed in conjunction with CCR Cost Recovery Services gives a perspective on what the R&D tax credit can mean to engineering firms. We helped a large, New Jersey-based engineering, design, planning, and construction management firm apply for the R&D tax credit for three previous tax years. Like many engineering firms, it had never before pursued an

R&D tax credit because it didn't realize that its work was R&D related. Two months after taking the firm through a process similar to the one outlined above, it received a tax credit of more than \$1 million.

IMPLICATIONS FOR THE ENGINEERING INDUSTRY

Any firm with cutting-edge technology in its field is likely to have eligible R&D costs. Engineering and construction firms—from civil engineering and nanotechnology to supercomputing and alternative energy—spend a significant amount of time developing new processes that qualify as R&D. There is a constant effort underway to improve existing products, plans, and processes. Uncertainty about a particular issue or design is resolved through a discovery process based on trial and error and experimentation. The costs associated with the time and effort that go into that discovery process amount to R&D expense.

The R&D tax credit will likely become a permanent fixture in the American tax code eventually. In the 25 years since its inception, the tax credit has been extended nearly a dozen times, and Congress is likely to heed the call of the American Society of Civil Engineers to make the credit permanent and eliminate uncertainty over its future, thus motivating companies to adopt longer-term views of research projects and the returns on investment they can generate.

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