

TALKING POINTS

WOTC offers incentives to hire

Hiring new employees can be a sign of a growing business, but it can also be costly for business owners.

The Work Opportunity Tax Credit (WOTC) offers some additional help and alternatives for small business owners in the process of seeking and hiring new employees.

The Small Business and Work Opportunity Tax Act of 2007 extended the Work Opportunity Tax Credit through Aug. 31, 2011. The American Recovery and Reinvestment Act of 2009 expanded the WOTC even more to cover more unemployed veterans and disconnected youth.

Additionally, the WOTC is temporarily combined with the Welfare-to-Work Credit.

The Internal Revenue Code provides that the WOTC is available on an elective basis for employers who hire individuals from one of specific targeted groups such as qualified SSI and food stamp recipients, qualified ex-felons and others. The credit generally equals 40 percent of qualified wages, reduced to 25 percent for employment of 400 hours or less. The term "qualified wages" generally means wages attributable to service rendered by a member of a targeted group during the one-year period beginning with the day the individual began work for the employer.

The maximum credit that you can take per eligible employee is generally \$2,400 (40 percent of the first \$6,000 of qualified first-year wages). For qualified summer youth employees, the maximum credit is \$1,200, or 40 percent of the first \$3,000 of qualified first-year wages. The employer's regular deduction for wages paid is reduced by the amount of the credit. Note, however, that the IRS will not permit a credit to be taken for wages paid to an employee who works fewer than 120 hours in the first year of employment.

A number of forms must be completed and filed with the WOTC coordinator for your state no later than the 21st day after the employee begins working.

Once an employee is certified, you should receive a Work Opportunity Tax Credit Employer Certification form from your State Department of Labor. This certification form is your evidence that the particular employee is eligible for a particular tax credit and it is very important you retain these certification forms in the event of a future IRS or state audit. These certification forms should be retained for at least seven years.

Please feel free to contact our tax department to assist you in taking advantage of this valuable tax credit. We can provide you with the contact information for some of the companies that are available to help coordinate this process.

VOLUME 3, ISSUE 8



What's Inside

Retraining Credit	2
IRS Notices	2
Cost Segregation	
Study	3
'Wacky' Tax	
Moves	4
Cash Flow Tips	5
Wise Investment	5

"If you really want to be more effective at anything...you have to find a way to get constructive feedback. The absence of complaints is not a dependable indicator of the absence of opportunities to improve."

—David Maister

The Internal Revenue Service requires us to inform you that any tax advice contained in this letter cannot be used for the purpose of avoiding penalties under the Internal Revenue Code or for promoting, marketing or recommending to another party any transaction or matter addressed herein.

Offer refresher courses and save money

Training employees really can pay.

McDonald's operators can receive credit through the Georgia Retraining Credit for training employees on new or upgraded equipment, software and technology. The credit covers training on upgrades to point-of-sales systems and internal store processors (POS/ISP), as well as improvements to new grills and fryers, Arch Card implementations and much more. Instructor salaries, employee wages during training, training materials, such as books and videos, along with other training costs count towards the credit.



The retraining tax credit is equal to one-half of the employer's approved direct retraining cost up to \$500 per employee. The retraining tax credit can be used against 50 percent of the taxpayer's individual income tax liability in a given year to reduce the Georgia income tax liability. Unused credits can be carried forward for up to 10 years.

Training dollars can be recovered for over the past three years, to 2006.

This program has helped many Georgia operators realize significant savings on their state tax bills.

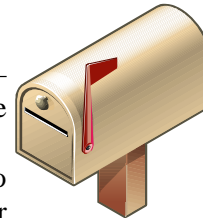
Many vendors are available to handle the necessary paperwork and compute the credits. Fees charged are generally a percentage of the credits received.

Now is the time to take advantage of this credit because 2006 credits are available only through next March.

Please contact Amy Williams or Deanna Olton at our office for additional information.

Most IRS notices can be easily handled

It's a moment many taxpayers dread: A letter arrives from the IRS — and it's not a refund check. Don't panic; many of these letters can be dealt with simply and painlessly.



Each year, the IRS sends millions of letters and notices to taxpayers to request payment of taxes, notify them of a change to their account or request additional information. The notice you receive normally covers a very specific issue about your account or tax return. Each letter and notice offers specific instructions on what you are asked to do to satisfy the inquiry.

If you receive a correction notice, you should review the correspondence and compare it with the information on your return.

Please contact us immediately and we will help send a response to the IRS in a timely fashion.

- Agree? If you agree with the correction to your account, usually no reply is necessary unless a payment is due.
- Disagree? If you do not agree with the correction the IRS made, it is important that you respond as requested. Write to explain why you disagree. Include any documents and information you wish the IRS to consider, along with the bottom tear-off portion of the notice. Mail the information to the IRS address shown in the upper left-hand corner of the notice. Allow at least 30 days for a response.

Most correspondence can be handled without calling or visiting an IRS office. However, if you have questions, call the telephone number in the upper right-hand corner of the notice. Have a copy of your tax return and the correspondence available when you call to help us respond to your inquiry.

Be sure to keep copies of any correspondence with your records.

Cost Segregation Study can boost the bottom line

McDonald's owner/operators have a valuable opportunity to help the bottom line by taking advantage of a cost segregation study.

A cost segregation study is a detailed analysis on a building that identifies and segregates the costs from real property (that is depreciable over 39 years) to personal property that is depreciable over five years or land improvements depreciable over 15 years.

Having a cost segregation study can be essential to obtaining increased federal tax savings through accelerated depreciation expense.

Three instances where a cost segregation study would be beneficial are:

- Opening of a new store
- Rebuilds or Major Remodels
- Lookback study on acquired stores or rebuilds/remodels

The tax savings on a cost segregation study can be significant. See the example below for a comparison of an actual owner/operator's depreciation expense over a 10-year period with and without the cost segregation study. Keep in mind that the numbers below do not include bonus depreciation, which is available for new five- and 15-year depreciable assets placed in service during 2009. The inclusion of bonus depreciation with the cost segregation study would increase the depreciation expense and the result would be additional tax savings in the first year.

TAX DEPRECIATION LIFE				
	WITH COST	WITHOUT COST		
	SEGREGATION	SEGREGATION		
	STUDY	STUDY		
5 YEAR	\$ 204,592	-		
15 YEAR	129,090	-		
39 YEAR	202,997	536,679		
	\$ 536,679	\$ 536,679		
DEPRECIATION & AMORTIZATION EXPENSE				
	WITH COST	WITHOUT COST	INCREASED	OPERATOR
	SEGREGATION	SEGREGATION	DEPRECIATION	TAX BENEFIT
	STUDY	STUDY	EXPENSE	(41% TAX RATE)
2008	\$ 50,197	\$ 7,465	\$ 42,731	\$ 17,520
2009	82,938	13,760	69,177	28,363
2010	55,524	13,760	41,763	17,123
2011	38,714	13,760	24,953	10,231
2012	37,720	13,760	23,959	9,823
2013	25,032	13,760	11,271	4,621
2014	12,821	13,760	(939)	(385)
2015	12,821	13,760	(939)	(385)
2016	12,821	13,760	(939)	(385)
2017	12,834	13,760	(926)	(380)
SUBTOTAL				\$ 86,146
LESS: COST OF SEGREGATION STUDY				(2,000)
TAX SAVINGS OVER THE NEXT 10 YEARS				\$ 84,146

While there are several vendors available to prepare cost segregation studies, we have worked with Kevil & Kevil, LLC to prepare the cost segregation studies for many of our clients. This company is very familiar with the McDonald's system and is qualified to prepare the cost segregation studies. If you would like additional information regarding cost segregation studies, please contact Tamra Newman or Deanna Olton at our office.

Don't try this at home: 9 'wacky' tax deductions

Most people don't consider taxes to be a laughing matter, but sometimes humor can be found even at the IRS. The following are the nine wackiest tax deductions of the year as compiled by Bankrate.com:



1. Paper-thin home office deduction.

The client of one Arizona practitioner wanted to claim a home office deduction for the toilet paper he bought for his house. No word on the nature of his business.

2. Hell hath no fury.

A recently divorced client with income in the \$40,000 range brought a CPA in Texas various receipts of noncash donations to charity that roughly equaled the amount of her income. Why? She hauled away all the property owned by her cheating husband and give it to Goodwill. The CPA informed her she could deduct only a percentage of her AGI.

3. At least it wasn't "travel and entertainment."

An Oklahoma accountant noted a business client's check for \$2,000 was written to a gynecologist. It was classified on the books as "repairs and maintenance."

4. Bubble bath credit.

Some taxpayers try to deduct spas and swimming pools either as medical deductions or even business expenses. One Ohio CPA notes such an outlay may qualify as a legitimate medical expense, but couldn't justify deducting the full cost of a client's tricked-out Jacuzzi with underwater speakers, mood lighting and in-tub stereo.

5. Beautify your return

The client of a Texas CPA thought that some mature trees didn't fit into her new landscaping theme. So she dug them out and donated them to charity. Although an independent appraisal was required, the IRS allowed the deduction.

6. Unmarried, filing weirdly

Two single men living together for a number of years decided to file jointly as a married couple. It was permitted under state law, but when they split up later, it created some problems with the IRS. Once a couple files jointly, everything thereafter is keyed off one partner's Social Security number. It took a letter-writing campaign to the IRS to fix matters.

7. Dancing with the IRS

After the doctor of an elderly Arizona woman suggested that she take up dancing to improve her arthritic hips, she enrolled at the Arthur Murray Dance Studio. In the first year, the woman's CPA agreed to deduct more than \$8,000 in dance lessons. But he drew the line in the second year when she wanted to write off \$35,000 for dance lessons and another \$18,000 for gowns and expenses to travel on cruises for herself and her dance "instructor."

8. Guard cats and canine contractors

One pet lover claimed his dog as a dependent, another attempted to write off dog food as expenditure for his "home security system," and another claimed Fido as a landscaping subcontractor. A CPA in New Jersey asks clients tongue-in-cheek about the pet's age and whether the cat or dog is a full-time student.

9. A costly adoption

A Florida CPA inherited the case of a 65-year-old woman who took in a young student renter and handyman. She liked him so much she claimed him as a dependent. Eventually, the IRS slapped "Auntie" with \$5,000 in back taxes and a \$2,000 penalty for failing to disclose income. Ironically, because the renter had remodeled part of her home, the client could have offset that expense against rental income, ending up with a bigger — and legitimate — deduction.

20 tips to keep tabs on cash flow

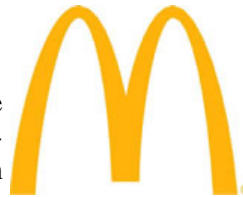
Here are our Top 20 ways McDonald's owners/operators can manage cash loss and save money:

1. Monitor under- and over-ringing of orders.
2. Compare cashier average check, look for variations.
3. Place cash in the safe as soon as possible.
4. Verify all deposits before they are sealed in the bank bag.
5. Detail all monies on the deposit slip.
6. Don't drop deposits at night.
7. Make sure T-Reds are less than 1.25 percent of sales:
 - Compare usage using the Window Cashier Summary Report.
 - Monitor all employees twice a month.
 - Identify three employees with the greatest opportunity.
 - Review register procedures and document the review.
 - Take corrective action.
8. Use only one register per cashier.
9. Frequently monitor drive-thru cashier.
10. Clear any loose change around the register.
11. Look for I.O.U.'s in the safe.
12. Count the safe before and after each manager shift change.
13. Monitor manager and employee meals.
14. Use a security/surveillance camera system that covers all entry points, all registers and the cooler.
15. Change manager POS codes daily and use a six-digit code that is difficult to steal.
16. Do not allow employee food purchases through the drive-thru booth.
17. Monitor cash loss through unauthorized over-rings or refunds.
18. Check cash loss by unauthorized promotions.
19. Keep apprised of cash loss through unauthorized manager meals.
20. Look for suspicious devices near registers that could be used for credit card skimming.



MCD wise investment choice

It's more important during rough economic times to make wise investment decisions. The best way to gain stability while investing in a turbulent market is to focus on the long term (a minimum of seven years) and look for high-quality, blue-chip companies that sell goods and services for which demand is consistently strong. These companies usually carry little or no debt and generate plentiful free cash flow. They also tend to have a history of excellent management and abundant opportunities for reinvesting capital. Furthermore, because economic growth is likely to be greater abroad, these companies are global in scope. Also look for companies that pay out some of their profits, since much of your total return will come from reinvested dividends. Some of these noteworthy companies, which have price-earning ratios ranging from 11 to 18, are McDonalds' (MCD), Philip Morris International (PM), Nestle (NSRGY:PK), Monsanto (MON), ExxonMobil (XOM), Teva Pharmaceutical Industries (TEVA) and IBM (IBM).



Source: Kiplinger's Personal Finance Adviser (March 2009)