

Auditing and Accounting
Business Management
Consulting
Business Strategies for
Taxes and Succession
Planning
Business Valuations
Cafeteria Plan Design
and Administration
Employee Benefit Plan
Services
Financial Planning
Payroll Management
QuickBooks Support
Tax Preparation

FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Accountants Make House Calls?

The short answer is Yes! One of our fastest growing areas at Hogan - Hansen is providing accounting professionals to assist businesses to do their accounting at all levels, from paying bills to analyzing trends and helping make management decisions. I've explained some of the levels of service we provide below, but don't forget – we can customize our services to meet your specific needs.

Business Accounting Services provide the accurate and timely information you need to be successful. Our professionals translate your raw information into usable financial information, along with payroll processing, and other services that give you more time to operate your business and better information to make management decisions.

On-Site Business Services enable a personal accountant to visit your location providing a direct line of communication and constant contact. We supply the staff and services you need to process information making



certain your customers are billed, your vendors and employees are paid and you have the most up-to-date financial information necessary to manage and grow your business.

Controllership Services help more mature businesses with complex tax and financial issues. Our team of experienced professionals can analyze company performance, identify opportunities and help you develop strategies for future growth and expansion. You will be able to profit from the input of an experienced and knowledgeable financial professional without incurring fixed employment costs.

Governmental Accounting Services help cities and school districts with their day-to-day accounting needs along with assistance in preparing their annual financial reports. These services can be expanded to include typical city clerk or school business officer functions if those services are needed.

QuickBooks Assistance helps businesses of all types to set up, upgrade or improve their QuickBooks records and financial information. We can also have one of our professionals enter transactions, install updates or provide whatever assistance you need.

Whether in our offices, or yours, we're here to help you with all of your accounting needs. If you have any questions – please give us a call!

Dennis Muyskens, CPA, is the partner-in-charge of our Algona, Forest City and Mason City offices and has extensive experience working with small businesses.

FROM THE PEN OF A PARTNER

Five Home Office Deduction Mistakes

If you operate a business out of your home, you may be able to deduct a wide variety of expenses. These may include part of your rent or mortgage costs, insurance, utilities, repairs, maintenance and cleaning costs related to the space you use. It can be a tricky area of the tax code that's full of pitfalls for the unwary. Here are some of the top mistakes people make.

Not taking it. This is probably the biggest mistake those with home offices make. Some believe the deduction is too complicated, while others believe taking a home office deduction increases your chances of being audited. While the rules can be complicated, there are now simple home office deduction methods available to every business.

Not exclusive or regular. The space you use must be used exclusively and regularly for your business.

Exclusively: If you use a spare bedroom as a business office, it can't double as a guest room, a playroom for the kids or a place to store your hockey gear. Any kind of non-business use can invalidate the deduction.

Regularly: It should be the primary place you conduct your regular business activities.

That doesn't mean that you have to use it every day, nor does it stop you from doing work outside the office. But it should be the primary place for business activities such as recordkeeping, billing, making appointments, ordering equipment or storing supplies.

Mixing up your other work. If you are an employee for someone else in addition to running your own business, be careful in using your home office to do work for your employer. Generally, IRS rules state you can use a home office deduction

as an employee only if your employer doesn't provide you with a local office where you can work. Unfortunately, this means if you run a side business out of your home, you cannot also bring work home from your employer's office and do it in your home office. That would invalidate your use of the home office deduction.

The recapture problem. If you have been using your home office deduction, including depreciating part of your home, you could be in for a future tax surprise. If you later sell

your home, you will need to account for this depreciation. This depreciation recapture rule creates a possible tax liability for many unsuspecting home office users.

Not getting help. There are special rules that apply to your use of the home office deduction if:

- You are an employee of someone else.
- You are running a daycare or assisted living facility out of your home.
- You have a business renting out your primary residence or a vacation home.

The home office deduction can be tricky, so be sure to ask for help, especially if you fall under one of these rules.

Home Office Tax Facts

Americans With Home Offices



26 Million

Americans Who Take Home Office Deductions



34 Million

Exclusive & Regular

Exclusive:

If you use a room as a home office, it can't double as a guest room, playroom for the kids, or a place to store your hockey gear.

Regular

Your home office should be your primary place for regular business activities such as recordkeeping, billing, making appointments ordering equipment, or storing supplies.

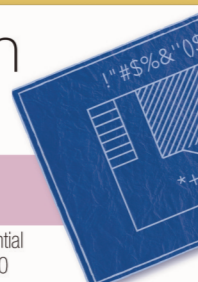
Simple Option

The simple "safe harbor" home office deduction:

Square Footage of Your Office X \$5

Up to 300ft

For a potential of \$1500



Five Questions to Ask Before Paying Off Your Mortgage Early


debt when life's inevitable troubles come along. Build up that emergency account to cover at least a few months of living expenses before supplementing your mortgage payments.

Are you contributing to a retirement plan at work? Many companies will match a certain percentage of funds contributed to a 401(k) retirement account. For example, your employer might match 50% of the money you contribute, up to a maximum of 6% of your salary. Don't pass up that offer. It's easy money, and it certainly earns a better return than dollars paid toward your mortgage principal.

Can you get a better return elsewhere? Of course the stock market is notoriously volatile, so paying off your mortgage may help you sleep at night. But if you can handle the risks of stock-based mutual funds or similar accounts, it may be prudent to invest at least a portion of your extra money there, especially if you won't need the money soon.

How's your cash flow? Before you retire from full-time employment and paychecks are replaced by social security payments, pensions and/or retirement account withdrawals, run the numbers. Retiring without mortgage debt may be a wise financial goal for your family. But it's important to base your decisions on hard facts, not wishful thinking or uninformed advice.

Call us if you need help with this decision.



Making extra principal payments to retire a mortgage before the end of a 15- or 30-year term may seem like a no-brainer. After all, who wouldn't want to reduce that substantial debt and dispense with monthly principal and interest payments? But paying off a mortgage early may not be the best choice for every household. Here are five questions to consider.

Do you have high-interest credit card or loan debt? If your credit card company is charging 15% on your outstanding balance, you can earn a guaranteed 15% by liquidating that debt. So it makes sense to pay off high-interest accounts first – before putting extra funds toward your low-cost mortgage. That's especially important if you're in a higher tax bracket. Home mortgage interest is tax deductible – interest on consumer debt is not.

Have you established an emergency fund? Life happens. If you haven't set aside funds in an easy-to-access "rainy day" account, you may be forced to acquire additional

How To Be Sure it's the IRS Calling

Each year the IRS warns taxpayers of scams, many of which happen long after the tax season is over. Some taxpayers have encountered scammers who impersonate IRS officials in person, over the phone or via email. Here are some ways for you to identify a real IRS employee.

- The IRS makes most contact with taxpayers through regular mail sent via the U.S. Postal Service.
- The IRS does not call to demand immediate payment using specific methods. If you owe taxes, the IRS will first mail a notice to you.
- The IRS does not threaten to involve law enforcement or immigration officials.
- The IRS will instruct you to make your payment to the United States Treasury.



- In the rare case that an IRS agent visits you, ask him or her to produce two forms of official credentials: a pocket commission and an HSPD-12 card.

If you receive contact from the IRS, please do not hesitate to call for help.

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NOTABLE QUOTES

A vacation is what
you take when
you can no longer
take what you've
been taking.

- EARL WILSON

Friends are those rare
people who ask how we
are and then wait to
hear the answer.

- ED CUNNINGHAM

Work is not man's punishment.
It is his reward and his strength
and his pleasure.

- GEORGE SAND

**Everyone wants
happiness.
No one wants
pain. But you
can't have a
rainbow, without
a little rain.**

- UNKNOWN

**There is no
elevator to
success.
You have to
take the stairs.**

- ZIG ZIGLAR

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