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FINANCIAL IDEAS FOR TODAY AND TOMORROW

# Footnotes

## Congratulations Kristi Wick



**W**e are proud to announce that Kristi Wick, CPA has become a shareholder in Hogan - Hansen. Kristi joined Hogan - Hansen in 2006 and has been serving as the manager of our Clear Lake and Belmond offices since 2011. Kristi's education includes Bachelor of Arts degrees in Accounting and Business

Administration from Northwestern College and a Masters of Professional Accountancy degree from the University of South Dakota. Prior to joining Hogan - Hansen, Kristi worked in the audit services department of an international firm.

Kristi will continue to manage the Belmond and Clear Lake offices. She will also be taking over the management of the governmental audit practice of the Mason City and Clear Lake offices.

Kristi grew up in north Iowa and graduated from North Iowa High School. She lives in Clear Lake with her husband, Joe, and daughter,

Lauren. Kristi enjoys spending time with family, volunteering at church, spending time outdoors and just being a sports fan.

We are excited to have Kristi join our ownership group as our firm continues to expand. We are very pleased that our continued expansion has allowed us to provide opportunities for our staff as several others have been recently promoted.



**Dennis Muyskens, CPA, directs the accounting, auditing, income tax and consulting services for the firm's Mason City office while also providing oversight for the Algona office.**

We encourage you to check our website at [www.hoganhansen.com](http://www.hoganhansen.com) for more details.

**Congratulations, Kristi. We are looking forward to being partners with you!**

Steve Duggan, Kevin Ballard, Damian Hurmence and Dennis Muyskens

FROM THE PEN OF A PARTNER

# Standard Mileage Rates for 2015

The IRS has announced the 2015 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on January 1, 2015, the rate for business use of an automobile is 57.5 cents per mile, up from 56 cents in 2014.

The standard mileage rate for the medical or moving expense deduction is 23 cents per mile. The rate for charitable use of an automobile, which is set by law, remains unchanged from last year at 14 cents per mile. The standard mileage rate for business use of a car is an alternative to deducting actual automobile expenses.



## Iowa's Consumer's Use Tax

Many taxpayers are not aware that Iowa has a 6% consumer's use tax. The use tax applies to purchases made tax free on the internet, through mail-order catalogs, television shopping programs, toll-free 800 numbers, magazine subscriptions and untaxed purchases made while in another state and shipped or otherwise brought into Iowa.

The consumer's use tax is imposed after a sale takes place and only on goods and services that have not yet been subjected to sales tax. In most cases, these are purchases made from an out-of-state supplier not collecting Iowa tax and that are for use in Iowa.

Ordinarily, the retailer is responsible for collection of the

tax; however, if the retailer is not required by law to collect the tax or the Iowa retailer fails to collect the tax, the purchaser is then responsible for consumer's use tax. The purchaser must pay the use tax when ownership or control of the purchase is taken.

Consumer's use tax is reported quarterly or annually on a consumer's use tax return. Before a consumer's use tax return can be filed, a business must register with the Iowa Department of Revenue. Registration can be completed online at <http://www.iowa.gov/tax/forms/poa.html>. There is no registration fee and no physical permit certificate is

issued, although a consumer's use tax number is assigned.

By not registering for a consumer's use tax permit and subsequently not filing use tax returns, a business opens itself up to the potential of a ten-year sales and use tax audit. The audit period is reduced to three years for businesses that apply for the consumer's use tax permit and file the required returns.

We recommend that businesses in Iowa register for a consumer's use tax permit and file consumer's use tax returns at least annually.

**Call us if you need help registering or filing your consumer's use tax returns.**

# Wealth is Just a Matter of Time

**B**y implementing sound principles of saving and investing, average people – with average salaries and expenses – can build wealth. For most people, building wealth may be a lot like cooking stew in a crock pot. Two ingredients are required: discipline and time.

Time harnesses the power of compound interest. Simply put, compound interest is the money gained by leav-

ing your dollars invested. It's interest earned on the interest. Say, for example, you put \$1,000 in an investment earning 5% annually. After the first year, your account balance will have grown to \$1,050. Leave your money invested, and by the end of the following year you'll have \$1,102.50. You make more money the second year because you also earn interest (\$2.50) on the first year's interest (\$50).

The sooner you start investing, the less you'll need to save. Take, for example, two fellows named Tom and Jerry. Both are 18 years old. Tom paid attention in accounting class and started saving \$100 a month. For ten years he contributed to a relatively conservative mutual fund that earned 7% annually. At age 28, Tom lost motivation and stopped saving.

Jerry, on the other hand, was a party animal. For the first ten years after high school, he spent every penny he earned. But at age 28, he got discipline. He started saving \$100 each month, the same amount

Tom had been saving for ten years.

By age 65, who comes out ahead? Tom is the clear winner with about \$230,000; Jerry places second with \$210,000. Consider that Tom saved \$100 a month for ten years (\$12,000) and Jerry saved the same monthly amount for 37 years (\$44,400). Why did Tom end up with more money? Because his funds were invested longer. The power of compounding amplified his investment. (By the way, had Tom invested \$250 a month from age 18 to 65, he'd have over a million dollars by age 65.)

## Time Matters in Your Business Too

**T**he “time value of money” is a critical concept in handling personal finances. The same basic premise should be applied in making decisions for your business.

Here's how it works: Typically, the money you currently have in your hands is worth more than it would be years from now. That's because you're able to spend or invest the funds now instead of waiting to receive them. In other words, there's an “opportunity cost” attached to any delay.

For example, let's say that you're entitled to a \$100 payment. If you receive the \$100 now and you're able to invest it at a 5% annual interest rate, you'll have \$105 after one year. Assuming you don't need the money for expenses, it will be worth \$110.25 after two years, and so on. This amount is known as the “future value” of the money.

Similarly, you can compute the “present value” of money. Suppose you won't receive the \$100 payment until one year from now. The value of the

money must be discounted due to the opportunity cost. Using the same 5% interest rate, the present value of the \$100 you'll receive a year from now is \$95.24 (\$100 value divided by 1.05).

It's easy to see how this concept can affect your business. Accelerating payments from customers will enable you to better meet your current obligations and provide reserves for investment. On the other hand, delays hamper cash flow and reduce the opportunity for investment. Computing the time value of money may also encourage you to lease, rather than buy, assets.

At the very least, the time value of money should be factored into business decisions. For help in running the numbers and analyzing the results, give us a call.





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## NOTABLE QUOTES

“The will to win, the desire to succeed, the urge to reach your full potential...these are the keys that will unlock the door to personal excellence.”

- CONFUCIUS

“Dear IRS, I am writing to you to cancel my subscription. Please remove my name from your mailing list.”

- CHARLES M. SCHULZ (SNOOPY)

“To succeed in life, you need three things: a wishbone, a backbone, and a funny bone.”

- REBA McENTIRE

“Never iron a four-leaf clover, because you don't want to press your luck.”

- UNKNOWN

“A person doesn't know how much he has to be thankful for until he has to pay taxes on it.”

- UNKNOWN

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