



## IT Corner

### New Computer: No Problems or Know the Problems?

By Scott Schepp, Network Administrator

Whether you're in the market for a new home computer or a business computer, there are a lot of options available to you. The available brands are plenty, and the ways to procure your new machine are equally exhausting. If you are shopping online, on the phone, or at the local computer store, make sure you know what you want before you get started.

For most individuals and business owners your budget becomes the number one factor when shopping for a new system. But following close behind are the hardware specifications you need, especially for business users. The operating system or OS is what runs your computer and manages all the other programs or applications and will have the greatest impact on your computer's efficiency. Unfortunately, for the most part, you don't have a choice when it comes to which OS you're purchasing with your computer.

The most widely used operating systems are Windows based. Here's a recap of how the OS has evolved.

- In the 80s there was MS-DOS, Microsoft's first widely installed operating system.
- In the 90s we saw Windows 3.0 and 3.1, then Windows 95, then Windows 98 and 98SE.

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## Law Offers Special Tax Breaks for Small Business

The American Recovery and Reinvestment Act (ARRA), created, extended and expanded a variety of business tax deductions and credits. Because some of these changes are only available this year, eligible businesses only have a few months to take action and save on their taxes. Here is a quick rundown of some of the key provisions.

### Faster Write-Offs for Certain Capital Expenditures

Many small businesses that invest in new property and equipment will be able to write off most or all of these purchases on their 2009 returns. The new law extends through 2009 the special 50 percent depreciation allowance, also known as bonus depreciation, and increased limits on the section 179 deduction, named for the relevant section of the Internal Revenue Code. Normally, businesses recover these capital investments through annual depreciation deductions spread over several years. Both of these provisions encourage these types of investments by enabling businesses to write them off more quickly. The bonus depreciation provision generally enables businesses to deduct half the cost of qualifying property in the year it is placed in service.

The section 179 deduction enables small businesses to deduct up to \$250,000 of the cost of machinery, equipment, some vehicles, furniture and other qualifying property placed in service during 2009. Without the new law, the limit would have dropped to \$133,000. The existing \$25,000 limit still applies to sport utility vehicles. A special phase-out provision effectively targets the section 179 deduction to small businesses and generally eliminates it for larger businesses.

### Expanded Net Operating Loss Carryback

Many small businesses that had expenses exceeding their incomes for 2008 can choose to carry those losses back for up to five years, instead of the usual two. For small businesses that were profitable in the past but lost money in 2008, this could mean a special tax refund. The option is available for a small business that has no more than an average of \$15 million in gross receipts over a three-year period.

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# UPDATE

Volume 34 Number 2 June, 2009

## Wisconsin Joins Streamlined Sales Tax Governing Board New Provisions will Simplify, Standardize Sales Tax Administration

Wisconsin recently became the 23rd member state of the Streamlined Sales and Use Tax (SST) Governing Board at the board's meeting in Arlington, Virginia. SST is a national effort to simplify the administration of state and local sales taxes for businesses and government. Governor Jim Doyle signed legislation in February conforming state law to the standards of the SST Agreement, making Wisconsin eligible to become a full member.



The agreement allows states to make independent decisions about which products and services are taxable and exempt, while also providing uniform definitions, administrative procedures and technology standards across all states. The goal is to increase tax compliance among all businesses, especially multi-state businesses, while removing the competitive disadvantage for local businesses. The SST agreement also seeks to address the fiscal concerns related to e-commerce growth.

The SST provisions, also known in Wisconsin as the Main Street Equity Act, are effective on October 1, 2009. **Over the next several months the Wisconsin Department of Revenue plans significant education for sellers about changes in definitions and procedures**, and will roll out several online tools to assist businesses with the transition, including a sales tax rate finder searchable by address.

Governor Doyle has urged Congress to enact Federal legislation that would require compliance with the SST provisions by Internet retailers to prevent additional state revenue losses due to e-commerce.

*Source: State of Wisconsin - Department of Revenue*

*Special Tax Breaks for Small Business - continued from page 1*

This option is still available for most eligible taxpayers, but only for a limited time. A corporation that operates on a calendar-year basis, for example, must file a claim by September 15, 2009. For eligible individuals, the deadline is October 15, 2009.

### Exclusion of Gain on the Sale of Certain Small Business Stock

The new law provides an extra incentive for individuals who invest in small businesses. Investors in qualified small business stock can exclude 75 percent of the gain upon sale of the stock. This increased exclusion applies only if the qualified small business stock is acquired after February 17, 2009 and before January 1, 2011, and held for more than five years. For previously-acquired stock, the exclusion rate remains at 50 percent in most cases.

### Estimated Tax Requirement Modified

During 2009, qualified individuals with small businesses may be eligible to make smaller estimated tax payments and defer paying a larger part of their 2009 tax obligations until the end of the year. If you qualify, your required annual payment for 2009 is the smaller of 90% of the tax shown on your 2008 tax return or 90% of the tax shown on your 2009 return.

You are a qualified individual if:

- More than 50% of your gross income was from a business that had an average of fewer than 500 employees in 2009, and,
- Your adjusted gross income in 2008 was less than \$500,000 (\$250,000 if you are married filing separately for 2009).

### COBRA Credit

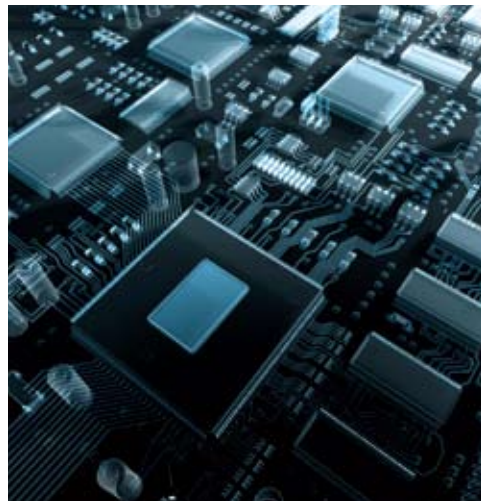
Employers that provide the 65 percent COBRA premium subsidy under ARRA to eligible former employees may claim credit for this subsidy on their quarterly or annual employment tax returns. To help avoid imposing an unnecessary cash-flow burden, affected employers can reduce their employment tax deposits by the amount of the credit. For more details, see the article, "*Changes Regarding COBRA Continuation Coverage Under ARRA*," on page six in this issue of *Update*.

If you have any questions about these tax law changes, call us at 262-797-9050.



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- In 2000, Windows Millennium was introduced to us in a worldwide promotional campaign called the *Meet Me Tour*.
- Then Windows 2000 came out and it was the solid platform businesses needed, and some still use today.
- In late 2001, we got our hands on Windows XP. Home users loved it and business users loved it when it didn't crash. Once the bugs were worked out, it was the perfect marriage between what consumers wanted and what businesses needed.
- In 2007 Vista was introduced. Many people felt it was a step too far to the consumer side. All of its hype and all the advertising still aren't having much of a positive impact.
- Coming up in 2010 Microsoft is looking to step back towards the business side with the release of Windows 7.



So what's the difference between all of these and how does it really affect you? For the home user, it depends on how you use your computer. If you're someone who listens to music, edits photos or watches videos, Vista will work for you. It has excellent graphics and delivers on many bells and whistles. While you may not have had a choice in purchasing Vista because it's all the retail store was allowed to sell you, you do, however, have a choice in which Vista version to buy: *Starter, Home Basic, Home Premium, Business, Enterprise, or Ultimate*. Each of these versions offers different features, so know what you're looking for before you go in to make your purchase.

Even for some small business owners, going to the local computer store has been the right option, but you may still need a little help not offered up by the salesperson. In many cases, business owners are experiencing some difficulties with Vista.

The first being its incompatibility with existing software. Businesses in need of replacing old computers are finding that their new systems aren't working with their existing production software, and they are having to seek support from Microsoft to troubleshoot the problems.

Another problem businesses are experiencing with Vista is its inability to print to existing printers. So, you finally get all your applications working on Vista but now you are unable to print to the same devices you've had in your office for a decade. Now what? If you've experienced this problem, you are definitely not alone.

Finally, the problem that I struggle with when issuing new computers to any user, including myself is, "it looks different." People are creatures of habit, and many business people are successful because of it. Vista has a different look compared to XP. For instance, the start button is no longer the start button and many of the menu options have changed. The traditional folders and structure are slightly different and it will probably just take you some time to get the hang of it. You can customize it to make it look somewhat like XP.

It comes down to, you like what you had and you were perfectly willing to pay for the same thing but that option was not made available to you.

Officially, free support for Windows XP is over. However, it will be available for a fee, until 2014. Microsoft has been feeling

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## Client Profile

**Ronald Johnson**  
**H.P. Johnson Co., Inc.**

During the 1950s the US Economy was the strongest in the world. Businesses were thriving and opportunity was ample. Business people like Herbert P. Johnson took advantage of these strong economic times.

Herbert originally had a business partner in the distribution of fine jewelry and heavy goods, at first combining sales in the two areas. But in 1947 they decided to split the business responsibilities with Herbert handling the distribution of heavy goods and his partner focusing on the jewelry end of the business. Things worked well this way for about four years, but Herbert decided he wanted more. He separated from his partner and opened H.P. Johnson, Co., Inc. in 1951.

Herbert remained focused on distributing heavy goods to major department stores. He stocked items such as appliances, clocks and flatware, which would eventually prove to be one of the company's biggest money makers. Herbert built relationships with companies like Oneida and became one of their main distributors.

Business was booming and in November of 1960, Herbert's son Ron joined the company. He came on board as a bookkeeper and at that time the company had six employees. "I grew up in the business and really wanted to be a part of it when I was old enough," said Ron. The company was located at 213 W. Wisconsin Avenue in Milwaukee. They eventually moved to 623 N. 2nd Street where they occupied the 10th floor of the building.

In 1967 Herbert was looking to expand the business. The building they were currently leasing had no freight elevators, and insufficient docks for delivery. They built their current building at 3435 N. 127th Street in

Brookfield to very particular specifications. The move took place on Labor Day weekend of 1967. They worked hard over the long weekend and reopened for business in their new location that same Tuesday.

In 1972 Herbert decided to retire and Ron took over the business. Ron has continued to build the business on the foundation his father laid. He further developed relationships with Oneida and Gorham Stainless Steel, and they became the main distributors for Oneida to major department stores. Their accounts included Gimble's, Pranges, Boston Store and Marshall Fields and they controlled 90 percent of the silver space in these department stores.

But Ron made some changes along the way and took things in his own direction. In 1985 he brought back the distribution of fine jewelry and serviced many of the department stores in the area. The company pursued this line of business over the next ten years, but then decided holding inventory was too expensive.

It wasn't until 1986 that Ron made one of his biggest business decisions and that decision is what the business is built on today. "We took a big hit in 1986 when Gimble's shut down. I realized that it would be better to spread the business around a bit, rather than put all of our eggs in one basket," Ron said. "We had to start focusing on other business ventures (in addition to department stores) as well."

Ron decided to pursue some smaller specialty stores. As the years went on, their niche became these smaller stores rather than the big department stores.

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**Ronald Johnson**  
**Owner and President**  
**H.P. Johnson Co., Inc.**



*H.P. Johnson Co., Inc. - continued from page 4*

Ron overcame some other challenges along the way. Oneida also decided to go in another direction and in 1996 pulled away from H.P. Johnson, Co., Inc. They moved all of their distribution in house taking away a large part of Ron's business. But that wasn't the end of the relationship. In 2006 Oneida again contacted H.P. Johnson, Co., Inc. to be their national distributor to specialty stores.

Today, H.P. Johnson Co., Inc. in Brookfield is home to 14 employees and services only small independent stores. They distribute primarily Fiesta dinnerware, flatware, some sterling silver jewelry and baby goods. Their entire catalog includes over 10,000 items.

So what motivates Ron? Family is very important to him. His wife Gail, daughter Debra and son Andrew have always been supportive of Ron's strong work ethic and his family continues to be involved in the business. Kent Olson, Ron's son-in-law, has become an integral part of the H.P. Johnson team.

While today's economy seems light years away from that of the 1950s, Ron is hopeful that business will continue as usual. They have seen a slow down in some areas of the business and they've managed to flourish in other areas. "We've got the busy bridal season coming up and have really seen an increase in the amount of baby goods we sell."

Ron has no immediate plans for retirement and credits his success to really loving his job. "Life's too short! You have to really enjoy doing what you're doing! And I do, I love the business."



*H.P. Johnson, Co., Inc. distributes goods such as dinnerware and flatware to specialty stores.*

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the pressure from computer manufacturers like HP and Lenovo to allow them to continue to sell XP. Even Dell has jumped back on board after demand from customers forced their hand.

In the past, licensing terms always allowed for Vista Business or Ultimate purchasers to revert back to the XP OS, albeit very difficult. The term is now "XP downgrade." You can either get a set of discs that automatically turns your Vista OS into XP or some systems already have the conversion built in, you just push the power button and it's already on your new computer.

Now that you have finally adjusted to Vista, here comes Windows 7. Microsoft has said, "Users testing Vista should abandon that effort for the Windows 7 RC candidate."

It can all be very confusing. So what can you do to alleviate your new computer purchasing pain? First, decide why you are buying a new system and what you'll be using it for. If you are replacing a business computer and need a faster version of what's being replaced, contact someone from a large reseller or contact the manufacturer directly. If you are a home user and buying everything new, you don't mind the change, and want to walk into the store and out with a computer, Vista should work for you. Whatever your reason for wanting or needing an upgrade, think it through first.

For help with selecting a new computer, determining what options will work best for you, troubleshooting any problems you may currently have, or for any other information technology needs; contact WKMR Technology Solutions, LLC at [techinfo@wkmr.com](mailto:techinfo@wkmr.com) or 262-797-9050.

# UPDATE

Volume 34 Number 2 June, 2009

## Changes Regarding COBRA Continuation Coverage Under ARRA

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for premium reductions and additional election opportunities for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider (usually the employer) through a tax credit. The premium reduction applies to periods of health coverage beginning on or after February 17, 2009 and lasts for up to nine months.

### Premium Reduction:

The premium reduction for COBRA coverage is available to "assistance eligible individuals."

An "assistance eligible individual" is the employee or a member of his/her family who:

- Is eligible for COBRA at any time between September 1, 2008 and December 31, 2009;
- Elects COBRA coverage; and,
- Is eligible for COBRA as a result of the employee's involuntary termination between September 1, 2008 and December 31, 2009.

Those who are eligible for other group health coverage (such as a spouse's plan) or Medicare are not eligible for the premium reduction. There is no premium reduction for premiums paid for periods of coverage prior to February 17, 2009.

ARRA treats assistance eligible individuals who pay 35 percent of their COBRA premium as having paid the full amount. The premium reduction (65 percent of the full premium) is reimbursable to the employer, insurer or health plan as a credit against certain employment taxes. If the credit amount is greater than the taxes due, the employer, insurer or health plan will be directly reimbursed for the excess.

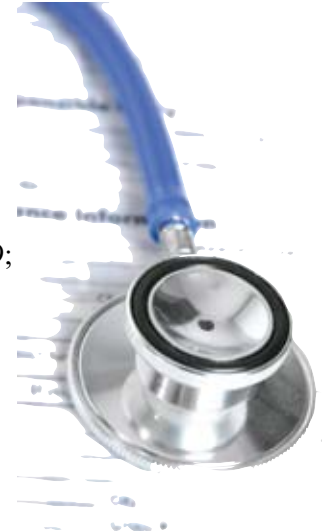
A period of coverage is a month or shorter period for which the plan charges a COBRA premium. The premium reduction starts on March 1, 2009 for plans that charge for COBRA coverage on a calendar month basis. The premium reduction for an individual ends upon eligibility for other group coverage (or Medicare), after nine months of the reduction, or when the maximum period of COBRA coverage ends, whichever occurs first. Individuals paying reduced COBRA premiums must inform their plans if they become eligible for coverage under another group health plan or Medicare.

### Special COBRA Election Opportunity:

Individuals involuntarily terminated from September 1, 2008 through February 16, 2009 who did not elect COBRA when it was first offered OR who did elect COBRA, but are no longer enrolled (for example because they were unable to continue paying the premium) have a new election opportunity. This election period began on February 17, 2009 and ends 60 days after the plan provides the required notice. This special election period does not extend the period of COBRA coverage beyond the original maximum period (generally 18 months from the employee's involuntary termination). COBRA coverage elected in this special election period begins with the first period of coverage beginning on or after February 17, 2009. This special election period opportunity does not apply to coverage sponsored by employers with less than 20 employees that is subject to State law.

**Notice:** Plan administrators must provide notice about the premium reduction to individuals who have a COBRA qualifying

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*Changes Regarding COBRA Coverage - continued from page 6*

event during the period from September 1, 2008 through December 31, 2009. Plan administrators may provide notices separately or along with notices they provide following a COBRA qualifying event. This notice must go to all individuals, whether they have COBRA coverage or not, who have had a qualifying event from September 1, 2008 through December 31, 2009.

**Switching Benefit Options:**

If an employer offers additional coverage options to active employees, the employer may (but is not required to) allow assistance eligible individuals to switch the coverage options they had when they became eligible for COBRA. To retain eligibility for the ARRA premium reduction, the different coverage must have the same or lower premiums as the individual's original coverage. The different coverage can not be coverage that provides only dental, vision, a health flexible spending account, or coverage for treatment that is furnished in an on-site facility maintained by the employer.

**Income limits:**

If an individual's modified adjusted gross income for the tax year in which the premium assistance is received exceeds \$145,000 (or \$290,000 for joint filers), then the amount of the premium reduction during the tax year must be repaid. For taxpayers with adjusted gross income between \$125,000 and \$145,000 (or \$250,000 and \$290,000 for joint filers), the amount of the premium reduction that must be repaid is reduced proportionately. Individuals may permanently waive the right to premium reduction but may not later obtain the premium reduction if their adjusted gross incomes end up below the limits.

If you have additional questions on these regulations, call us at 262-797-9050.

*Source: U.S. Department of Labor,  
Employee Benefits Security Administration*

**Firm News**

**Julia Geerds** was recently promoted to Firm Administrator. Julia has been with WKMR for over six years and previously held the position of Office Manager in our Brookfield office.

**Lynn Braden** and **Kim Kasten** participated in the second annual career fair at Brookfield East High School.

**Amanda McNutt** recently took part in the Laser Life 101, Financial Learning Experience for Kettle Moraine High School students. The event teaches students how to be financially responsible.

WKMR employees and their family members recently took part in the LakeWalk for Cancer. WKMR team members included: **Ashley Andreshak, Renee Bardenwerper, Jenny Block, Lynn Braden, Mitzi Cass, Kathy Evans, Nancy Jones, Pam Jones, Kim Kasten, Amanda McNutt, Michelle Meier, Brenda Pillard, Jim Repp, Audra Stewart, and Lisa Wegener.** The team raised \$1,795 to benefit the Oconomowoc Memorial Hospital Foundation and Cancer Center.



*WKMR LakeWalk Team members Renee Bardenwerper, Ashley Andreshak and Amanda McNutt.*



*WKMR LakeWalk Walkers Audra Stewart and Kim Kasten*



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# UPDATE

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The goal of UPDATE is to provide our clients with timely financial and tax information. Since space limitations require generalizations, Winter, Kloman, Moter, & Repp, S.C. encourages you to obtain specific personal advice before implementing any ideas presented in this publication.

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