



FRAUD ALERT

SBA Warns of Fraudulent Attempts to Obtain Bank Account Information from Small Businesses

The U.S. Small Business Administration (SBA) recently issued a scam alert to small businesses, warning them not to respond to letters falsely claiming to have been sent by the SBA asking for bank account information in order to qualify them for Federal tax rebates.

The fraudulent letters were sent out on what appears to be SBA letterhead, to small businesses across the country. The letter advises recipients that they may be eligible for a tax rebate under the Economic Stimulus Act, and that SBA is assessing their eligibility for such a rebate. The letter asks the recipient to provide the name of his/her bank and account number.

These letters have not been sent by, or authorized by, the SBA and all small businesses are strongly advised not to respond to them. The scheme is similar in many ways to e-mail scams often referred to as "phishing," that seek personal data and financial account information that enables another party to access an individual's bank account or to engage in identity theft.

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IRS Extends Deadline for Sponsors of Section 403(b) Written Plans

In July 2007, the IRS issued new regulations for sponsors of 403(b) plans. The law, effective January 1, 2009, required all sponsors of 403(b) plans to establish a written defined contribution plan document which outlines all the investment options available to plan contributors.

The IRS recently announced that they will not treat a provider of a 403(b) plan as failing to satisfy these requirements and the final regulations during the 2009 calendar year, provided that:

1. On or before December 31, 2009, the sponsor of the plan has adopted a written code section 403(b) plan;
2. During 2009, the sponsor operates the plan in accordance with a reasonable interpretation of code section 403(b), taking into account the final regulations; and,
3. Before the end of 2009, the sponsor makes its best efforts to retroactively correct any operational failure during the 2009 calendar year to conform to the terms of the written plan, with such correction to be based on the general principles of correction set forth in the Service's Employee Plans Compliance Resolution System (EPCRS) at section 6 of Rev. Proc. 2008-50, 2008-35 I.R.B. 464.

The relief under this notice applies solely to the 2009 calendar year, and may not be relied on with respect to the operation of the plan or correction of operational defects in any prior or subsequent year.

(source irs.gov)

In addition to an outline of all the investment options available to plan contributors, the plan must also contain the basic plan features, all the terms and conditions for 403 (b) eligibility, limitations and benefits under the tax-free annuity.

If you have any questions concerning this extension or the new regulations, give us a call.

UPDATE

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Tax Provisions in the American Recovery and Reinvestment Act of 2009

Congress has approved, and the President has signed, the new economic stimulus legislation, *The American Recovery and Reinvestment Act of 2009*. Generally, the new tax regulation does not have any major impact for the vast majority of individual's 2008 tax returns due April 15. Instead these changes will largely impact 2009 tax returns filed next year in 2010.

There are a few limited areas in the legislation that could impact 2008 tax returns. For example, for some small businesses, changes in the net operating loss provisions could affect 2008 returns. We've included a full listing of the provisions that are part of this new legislation. For more detailed information on each of these provisions visit our website at www.wkmr.com or if you have any questions, give us a call.

The American Recovery and Reinvestment Act of 2009

Tax Relief for Individuals and Families

- "Making Work Pay" Tax Credit
- Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits
- Refundable Credit for Certain Federal and State Pensioners
- Increase in Earned Income Tax Credit
- Increase Eligibility for Refundable Portion of Child Credit
- "American Opportunity" Education Tax Credit
- Computers as Qualified Education Expenses in Section 529 Education Plans
- Refundable First-time Home Buyer Credit
- Sales Tax Deduction for Vehicle Purchases
- Temporary Suspension on Taxation of Unemployment Benefits
- Extension of AMT Relief for 2009

Tax Incentives for Businesses

- Extension of Bonus Depreciation
- Election to Accelerate Recognition of Historic AMT/R&D Credits
- Extension of Enhanced Small Business Expensing (Section 179 Depreciation)
- 5-Year Carryback of Net Operating Losses for Small Businesses
- Delayed Recognition of Certain Cancellation of Debt Income
- Incentives to Hire Unemployed Veterans and Disconnected Youth
- Small Business Capital Gains



Tax Incentives for Businesses - continued

- Temporary Small Business Estimated Tax Payment Relief
- Temporary Reduction of S Corporation Built-In Gains Holding Period from 10 Years to 7 Years
- Repeal of Treasury Section 382 Notice
- Treatment of Certain Ownership Changes

Manufacturing Recovery Provisions

- Industrial Development Bonds
- Advanced Energy Investment Credit

Economic Recovery Tools

- New Markets Tax Credit
- Recovery Zone Bonds
- Tribal Economic Development Bonds
- Modify Speed Requirement for High-Speed Rail Exempt Facility Bonds

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Worker, Retiree & Employer Recovery Act of 2008

A recent tax law change promises to help give older Americans some much needed financial flexibility as they struggle to manage their finances during this difficult economic time. A key provision in the recently passed Worker, Retiree and Employer Recovery Act of 2008 is designed to help alleviate the financial burden facing seniors who have seen their retirement savings shrink dramatically. The new provision provides relief to senior citizens by allowing them to continue to keep money in retirement accounts that they are typically required by law to withdraw once they reach age 70 ½. Here is a brief summary of this new provision.



As you may know, the tax laws require individuals with retirement accounts to make required withdrawals (based on the size of their account and their age) every year starting at age 70 ½. This rule is intended to prevent wealthy individuals from using retirement accounts as a tax shelter. Any individual who fails to take a required minimum distribution (RMD) is heavily penalized by the IRS, which taxes the amount not withdrawn at 50%.

The new law suspends the 2009 RMD from retirement accounts. This waiver, which is available to everyone regardless of their total retirement account balances, applies to all defined-contribution plans, including 401(k), 403(b), 457(b) and IRA accounts. Suspending the mandatory withdrawal allows retirees to keep the money in their account if they choose, and possibly recover some of their losses.

Please keep in mind that this is only a summary of this new provision. If you would like to discuss this matter further, please call us.



IT CORNER

The Backup - Revisited

A couple of issues ago, we talked about backing up your computer system, and how important it is to be sure you are getting regular backups that are error free, that you are moving them off-site and testing them periodically.

So how is it going? Are you doing it? If you're like most people, you'll find that it's possible to do these things, but it is difficult to find the time to do them.



One possibility that we at WKMR see as a very promising solution is on-line backup. In a general sense, on-line backup uses your internet connection to upload your backup data directly to a service provider.

There are many different providers, some are geared to home users, some to small businesses, and some to medium-to-large companies. All share common features, like making sure that your data is protected with encryption (scrambled) while in transit, and also protected while it is stored on their servers.

The following list can serve as a starting point to help you decide if on-line backup is right for you:

Cost:

Pricing differs between providers. Most base it on a monthly subscription cost for a certain amount of storage. Pricing can increase for servers or centralized computers, or for the number of computers you intend to back up.

Generally, on-line backup is cheaper than using tape backups, unless you are backing up very large quantities of data.

Security:

All worthwhile providers employ security in both the

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Client Profile

Ken Chybowski & Dawnelle Ganz Milwaukee Bearing & Machining, Inc.

Ken Chybowski believes that to build a successful business you have to have a strong team, a team that is not only skilled in what they do, but that holds your same values and business philosophy. At Milwaukee Bearing & Machining, Inc., that philosophy revolves around respect, appreciation and dedication, not only for their family of customers, but for their employees as well.

Ken began his career in the bearing industry in 1984 with a company called Fusion Bearing. Over the years he went through several different buyouts and mergers with the companies he worked for, moving up in the ranks as his career developed.

Ken eventually became President of BHW Bearing, Inc., a German owned bearing manufacturer. In 1991, he had the opportunity to purchase the Milwaukee location from the German parent company. He did and changed the name to Milwaukee Bearing & Machining, Inc. that same year.

At that time, the company had around 33 employees and was located in Milwaukee on the corner of 96th and Carmen Avenue. The company leased two older buildings that didn't allow for expansion and were not laid out very efficiently. By 1997 Ken was ready to expand and looked for a new location.

Today Milwaukee Bearing & Machining, Inc. is headquartered in a beautiful 40,000 square-foot building on

eight acres in Menomonee Falls. They employ around 70 employees and run three shifts.

"Moving into the Menomonee Falls location was one of the best business decisions we ever made," said Ken. "It has given us the space to grow in the production of bearings and in the development of the machining part of the business, as well as the ability to expand the physical plant in the future."

Milwaukee Bearing & Machining, Inc. specializes in two areas. The first being the manufacturing of fluid-film, babbitt-lined bearings, which are used in electrical motors, pumps and turbines.

Their second area of specialization is in the contract machining of large diameter machine parts for mining equipment and power generating equipment.

Although today's economy looks grim, Ken looks to the future with confidence and optimism. "We've seen a continued growth in revenues

over the years, and we are hopeful that this will continue into 2009."

But Ken doesn't do it all alone. His daughter, Dawnelle Ganz, Executive Vice President, joined the company 16 years ago. At that time she wasn't sure she'd make a career of it. "I started here to gain some experience in business and Human Resources. Over the years I have had the opportunity to make a career out of it and work my way through every aspect of the business," she said.

They both admit there is something special about working together in a family business. "You often know exactly what the other is thinking and how each will react

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*Ken Chybowski, President and
Dawnelle Ganz, Executive Vice President,
Milwaukee Bearing & Machining, Inc.*



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in different situations,” Dawnelle added. They find together that they have a wonderful balance. Ken’s expertise lies in the technical aspects of the business while Dawnelle complements this with her background in Human Resources and Administration.

They both agree that the greatest challenge the company has faced over the years is finding qualified machinists to fill positions. “We look for people who are not only skilled in their trade, but who fit the structure of the company and want to work as part of our team,” said Dawnelle.

As Dawnelle takes the reigns, she will work not only with her father, but with the strong executive management team that they have established over the last few years. They continue to build their company around the same philosophy Ken established when he bought the business.

“We have a strong client base and we pride ourselves in providing them with quality products, timely delivery and fair pricing,” said Ken. “We value both our customers and our employees and treat them with respect and appreciation. That’s our philosophy.”



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The SBA is working with the SBA Office of the Inspector General (OIG) to investigate this matter. The OIG asks that anyone who receives such a letter, report it to the OIG Fraud Line at 1-800-767-0385, or e-mail the OIG at OIGHotline@sba.gov.

WKMR Firm News

Mike Toennies, CPA in our Oconomowoc Office, was recently awarded an Employee Recognition Award through the Pewaukee Chamber of Commerce. Mike was recognized for his 10 years of dedication and commitment to Winter, Kloman, Moter & Repp, S.C. and his clients.



Congratulations **Amanda McNutt, CPA!** Amanda works in our Oconomowoc office and recently passed her CPA exam.

Paul Sehmer and **Sandy Strelka** attended the Prevention and Protection of Abused Children’s Dinner Auction on February 7.

On February 14, **Mark Potts, Larry Gebhard** and **Sandy Strelka** attended the Montessori School of Waukesha Dinner Auction.

Proceeds from the two above mentioned events went to benefit each organization directly.

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American Recovery Act - continued from page 2

Infrastructure Financing Tools

- De Minimis Safe Harbor Exception for Tax-Exempt Interest Expense for Financial Institutions
- Modification of Small Issuer Exception to Tax-Exempt Interest Expense Allocation Rules for Financial Institutions
- Eliminate Costs Imposed on State and Local Governments by the Alternative Minimum Tax
- Delay Application of Withholding Requirement on Certain Government Payments for Goods and Services
- Qualified School Construction Bonds
- Extension and Increase in Authorization for Qualified Zone Academy Bonds
- Tax Credit Bond Option for State and Local Governments (“Build America Bonds”)

Reinvestment in Renewable Energy

- Long-term Extension and Modification of Renewable Energy Production Tax Credit
- Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit
- Repeal Subsidized Energy Financing Limitation on the Investment Tax Credit
- Removal of Dollar Limitations on Certain Energy Credits
- Clean Renewable Energy Bonds
- Qualified Energy Conservation Bonds
- Tax Credits for Energy-Efficient Improvements to Existing Homes
- Tax Credits for Alternative Refueling Property
- Plug-in Electric Drive Vehicle Credit
- Addition of Permanent Sequestration Requirement to CO₂ Capture Tax Credit
- Parity for Transit Benefits

Other Provisions

- Treasury Department Energy Grants in Lieu of Tax Credits
- Treasury Department Low-Income Housing Grants in Lieu of Tax Credits

Assistance for Families & Unemployed Workers

- Extension of Emergency Unemployment Compensation
- Increase in Unemployment Compensation Benefits
- Unemployment Compensation Modernization
- Temporary Assistance to States with Advances to Unemployment Trust Funds
- Additional Unemployment Provisions
- Temporary Assistance for Needy Families Contingency Fund
- Extension of TANF Supplemental Grants
- Child Support Enforcement

Health Insurance Assistance

- Premium Subsidies for COBRA Continuation Coverage for Unemployed Workers
- Medicare Payments for Teaching Hospitals
- Medicare Payments to Hospice
- Medicare Payments to Long-Term Care Hospitals

State Fiscal Relief and Medicaid

- Temporary Federal Medical Assistance Percentage Increase
- Temporary Increase in Disproportionate Share Hospital Payments
- Extension of Moratoria on Medicaid Regulations
- Extension of Transitional Medical Assistance
- Extension of the Qualified Individual Program
- Provisions from the Indian Health Care Improvement Act
- Prompt Payment Requirements for Nursing Facilities and Hospitals

Health Information Technology

- Funding for Health Information Technology through Medicare and Medicaid

Trade Provisions

- Expansion of Trade Adjustment Assistance Programs
- Duty Refund Recollection



Standard Mileage Rates for 2009

The Internal Revenue Service issued new mileage rates for 2009 that went into effect in January of this year. These rates are used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.



The standard mileage rates for the use of a car (also vans, pick ups or panel trucks) for 2009 are:

- 55 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations.

The new rates for business, medical and moving purposes are slightly lower than rates for the second half of 2008 that were raised by a special adjustment mid-year in response to the spike in gasoline prices. The business mileage rate was 50.5 cents in the first half of 2008 and 58.5 cents in the second half. The medical and moving rate was 19 cents in the first half of 2008 and 27 cents in the second half.

The rate for charitable purposes is set by law and is unchanged from 2008.

The mileage rates for 2009 reflect generally higher transportation costs compared to a year ago, but the rates also factor in the recent reversal of rising gasoline prices. While gasoline is a significant factor in the mileage rate, other fixed and variable costs, such as depreciation, enter the calculation.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 depreciation for the vehicle. In addition, a business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles used simultaneously.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rate.

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transfer and storage of your data. Pay particular attention to this point if you require extra security due to HIPAA or other regulatory requirements. One other feature to look for, is how the provider keeps copies of your password to the backed up data.

System compatibility:

Generally, on-line backup systems for small-to-medium offices consist of software that you install on your computer and this software sends your backup data to your provider. Although most providers have support for Windows XP and Windows Vista, if you plan to back up a network server, make sure that your provider of choice supports installation of the software on a server and the backing up of network data.

Transfer speed:

By its nature, on-line backup requires that you have an internet connection. This will be the single biggest factor that dictates how fast you can back up data to your provider's system and how fast you can restore your data when necessary. Most business-grade internet connections provide sufficient speed to use on-line backup, but if you have an older dial-up or a connection that charges by the amount of data you send, then on-line backup is not for you.

What next?

On-line backup can make a lot of sense for many companies. It addresses many of the obstacles to implementing a good backup strategy at a reasonable cost. If you have questions or would like more information about whether on-line backup is a good fit for your business, give us a call. We can help you sort through the possibilities and find the solution that is right for you.





Winter, Kloman, Moter & Repp, S.C.
CPAs SUPPORTING YOUR SUCCESS

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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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