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

UPDATE

Volume 33 Number 3 October, 2008

Congratulations Future 50 Award Winners!

Winter, Kloman, Moter & Repp, S.C. would like to congratulate the following clients for winning the MMAC and COSBE's Future 50 Award.

Avicom Marketing Communications
Good Electric, Inc.
Milwaukee Bearing & Machining, Inc.
Triad Construction, Inc.
Trissential

The award recognizes the 50 fastest growing companies in Wisconsin. We are honored to be of service to all of you and wish you continued success.

MMAC • COSBE
FUTURE 50

Tax Credit Offered to First Time Home Buyers

First-time homebuyers may want to begin planning now to take advantage of a new tax credit included in the recently enacted Housing and Economic Recovery Act of 2008. Available for a limited time only, the credit:

- Applies to home purchases after April 8, 2008, and before July 1, 2009.
- Reduces a taxpayer's tax bill or increases his or her refund, dollar for dollar.
- Is fully refundable, meaning that the credit will be paid out to eligible taxpayers, even if they owe no tax or the credit is more than the tax that they owe.

However, the credit operates much like an interest-free loan, because it must be repaid over a 15-year period. So, for example, an eligible taxpayer who buys a home today and properly claims the maximum available credit of $7,500 on his or her 2008 federal income tax return must begin repaying the credit by including one-fifteenth of this amount, or $500, as an additional tax on his or her 2010 return and each of the successive 14 years.

If you bought a home recently, or are considering buying one, the following questions and answers may help you determine whether you qualify for the credit.

Q. Which home purchases qualify for the first-time homebuyer credit?
A. Only the purchase of a main home located in the United States qualifies and only for a limited time. Vacation homes and rental property are not eligible. You must buy the home after April 8, 2008, and before July 1, 2009. For a home that you construct, the purchase date is the first date you occupy the home.

Taxpayers who owned a main home at any time during the three years prior to the date of purchase of this new home are not eligible for the credit. This means that first-time homebuyers and those who have not owned a home in the three years prior to a purchase can qualify for the credit.

If you make an eligible purchase in 2008, you claim the first-time homebuyer credit on your 2008 tax return. For an eligible purchase in 2009, you can choose to claim the credit on either your 2008 (or amended 2008 return) or 2009 return.

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Contact us at: 235 N. Executive Dr., Suite 160, Brookfield, WI 53005-6064 (262) 797-9050
1040 Oconomowoc Parkway/ Oconomowoc, WI 53066-4621 (262) 567-6540
302 N. Third St. / Watertown, WI 53094-3723 (920) 261-6767

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Tax Credit Offered to First Time Home Buyers - continued from page 1

Q. How much is the credit?

A. The credit is 10 percent of the purchase price of the home, with a maximum available credit of $7,500 for either a single taxpayer or a married couple filing jointly. The limit is $3,750 for a married person filing a separate return. In most cases, the full credit will be available for homes costing $75,000 or more. Whatever the size of the credit a taxpayer receives, the credit must be repaid over a 15-year period.

Q. Are there income limits?

A. Yes. The credit is reduced or eliminated for higher-income taxpayers. The credit is phased out based on your modified adjusted gross income (MAGI). MAGI is your adjusted gross income plus various amounts excluded from income-for example, certain foreign income. For a married couple filing a joint return, the phase-out income range is $150,000 to $170,000. For other taxpayers, the phase-out range is $75,000 to $95,000. This means the full credit is available for married couples filing a joint return whose MAGI is $150,000 or less and for other taxpayers whose MAGI is $75,000 or less.

Q. Who cannot take the credit?

A. If any of the following describe you, you cannot take the credit, even if you buy a main home:

- Your income exceeds the phase-out range. This means joint filers with MAGI of $170,000 and above and other taxpayers with MAGI of $95,000 and above.
- You buy your home from a close relative. This includes your spouse, parent, grandparent, child or grandchild.
- You stop using your home as your main home.
- You sell your home before the end of the year.
- You are a nonresident alien.
- You are, or were, eligible to claim the District of Columbia first-time homebuyer credit for any taxable year.
- Your home financing comes from tax-exempt mortgage revenue bonds.
- You owned another main home at any time during the three years prior to the date of purchase.

Q. *How and when is the credit repaid?*

A. The first-time homebuyer credit is similar to a 15-year interest-free loan. Normally, it is repaid in 15 equal annual installments beginning with the second tax year after the year the credit is claimed. The repayment amount is included as an additional tax on the taxpayer's income tax return for that year. You may need to adjust your withholding or make quarterly estimated tax payments to ensure you are not under-withheld. However, some exceptions apply to the repayment rule. They include:

- If you die, any remaining annual installments are not due. If you filed a joint return and then you die, your surviving spouse would be required to repay his or her half of the remaining repayment amount.
- If you stop using the home as your main home, all remaining annual installments become due on the return for the year that happens. This includes situations where the main home becomes a vacation home or is converted to business or rental property. There are special rules for involuntary conversions and taxpayers are urged to consult a professional to determine the tax consequences
- If you sell your home, all remaining annual installments become due on the return for the year of sale. The repayment is limited to the amount of gain on the sale, if the home is sold to an unrelated taxpayer. If there is no gain or if there is a loss on the sale, the remaining annual installments may be reduced or even eliminated.
- If you transfer your home to your spouse, or, as part of a divorce settlement, to your former spouse, that person is responsible for making all subsequent installment payments.

If you have any questions on this topic or would like more information, call one of our three offices. We are happy to help you.

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IT Corner
Backing up to Stay Ahead

by Eric Helmuth, IT Manager, WKMR Technology Solutions, LLC

These days, most business owners spend a fair amount of money on a computer system. What would you do without them? We depend on our Information Technology (IT) systems to store valuable information that we've spent thousands of hours and dollars collecting. While you most likely have insurance to protect your computer systems, how are you insuring that the information they hold is also safe?

Backing up this information is one aspect of IT operations that typically only gets a lot of attention when it does not work. Many companies believe that their information is safe simply because they have a tape drive on their server, or because they make sporadic backups. The problem is that without a repeatable process in place that has been tested to ensure that it is performing as expected, you might not really know how safe this information is until the situation has become critical. Ask yourself these questions, and if you are uncertain what your company's answer is to any of them, you may be at risk.

1. Are you backing up regularly?

Making regular backups is crucial to your ability to recover data when you need to. As a general rule you should backup as often as you can stand to lose data in the event of a failure - for most companies this is backing up once daily.

The key is to develop the discipline of making backups on a very regular basis. Although you can make a manual backup whenever you need to (like before a software upgrade or patch), your backup software can schedule backup jobs to be run when it suits you best. This will help to ensure that you get a repeatable schedule in place. Automating the process helps to reduce human error and also allows the task of switching tapes to be performed by less technical personnel.

2. Are you backing up the right things?

In a networked environment, it is almost always desirable to store data on the server in a consistent set of directories or shares. These can then be backed up easily from one place.

Windows will usually save documents and data in the default location of "My Documents" on the C: drive. This location is not recommended for shared business data, because this location is difficult to reliably back up in a centralized manner. User training can help to ensure that all business-critical data is saved to the server.

A careful check of the programs that you use and the data that they create will help you to decide what locations on your network need to be included in the backup and highlight any necessary changes to your data-saving procedures.One way to mitigate the problem of finding all the locations where data is stored on your server is to back up the entire server on every backup.

3. Are you confident that your backup would allow you to restore in the event of a problem?

One of the only ways to answer this question with certainty is to perform periodic test restores of your backups to ensure that they contain data that is error free and can be used when needed. Usually, a monthly or quarterly test restore of a portion of the backed up data will be sufficient to verify that your backups are working properly. **Take care not to overwrite your main working data with your test restore.**

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Our History

The Third Decade 1988-1998

Winter, Kloman, Moter & Repp, S.C. continued to thrive during their third decade. In 1988 WKMR acquired Doolen & Co., S.C., a small Brookfield firm owned by George Doolen. The two firms were neighbors in Elm Grove and often worked together on certain projects or referred business to one another. They had originally planned to merge, but George Doolen became ill and decided to sell his practice to WKMR effective July 1, 1988. WKMR acquired Doolen & Co.'s clients as well as their staff.

> Mark Potts, who has gone on to become a shareholder at WKMR, came on board through the acquisition, as a staff accountant after working at Doolen and Co., S.C. for four years. He had knowledge in several different areas including tax, audit and not-for-profit accounting.

Three other employees hired during this decade eventually went on to become shareholders.

> Curt Disrud joined the Oconomowoc office as a senior accountant in 1988. He had worked for an accounting firm in North Dakota where he specialized in individual and small business tax.
>
> Ken Kasbohm joined WKMR in Elm Grove as a tax manager in 1996. He had spent 16 years in the tax divisions of two large local public accounting firms in Milwaukee.
>
> Paul Senger came on board in 1997 as a tax manager in the Elm Grove Office. He brought with him eight years of public accounting experience from a large local firm.

The biggest changes for the firm in the late 80's and into the 90's came with the major advancements in technology and computers. WKMR was always ahead of the times when it came to staying abreast of progress in both hardware and software. They purchased things like newly developed tax preparation, depreciation and business accounting software that helped streamline their accounting practice

Portable computers were provided to staff in the 1980's. These computers had a 6-inch monitor, weighed over 20 pounds and cost over $3,500.

With the growth of the Internet came the introduction of e-filing as a means of submitting tax returns to the IRS. WKMR filed their first individual tax return electronically in 1989.

In 1990, Tom Kloman, a founding partner in the firm, announced his early retirement. He would stay on as a part time consultant for a while, but wanted to spend more time with his wife. Tom had contributed substantially to the growth of the firm during his 14 1/2 years at WKMR. Six years later on a hot and humid August day in 1996, Tom passed away while he was golfing at a local golf outing...he loved golfing.

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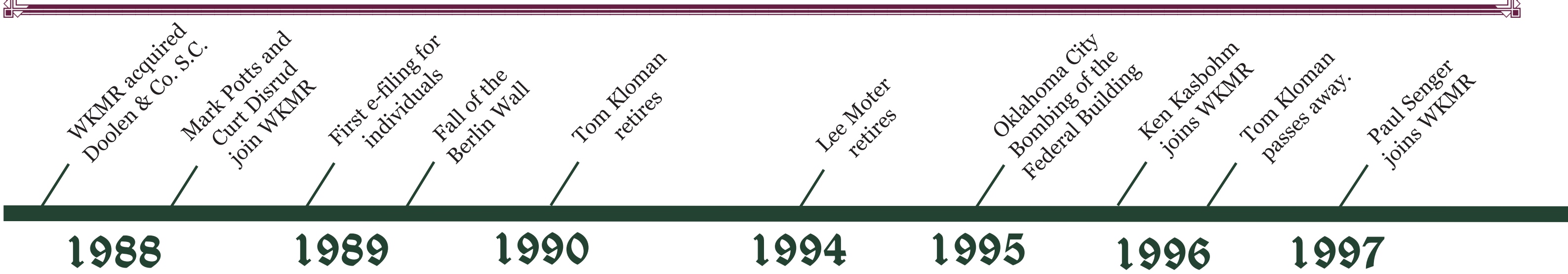

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Celebrating 40 Years of Success

The Third Decade - continued from page 4

Lee Moter, another of the firm's founders, decided to retire from public accounting in 1994. Lee was responsible for keeping staff well educated on the latest technical and professional pronouncements as well as making sure the firm maintained their quality of service and complying with peer review requirements. Lee passed those responsibilities, his construction clients, and expertise onto Paul Sehmer in 1994.

Globalization has had a significant effect on accounting firms for several decades. During the 70's and 80's WKMR noticed a number of clients were major European manufacturing companies that established US subsidiary corporations or US branch operations. Their expansion often was an effort to protect their manufacturing capabilities in the US in the event of any trouble with the Soviet Union.

WKMR services clients held by German, Norwegian, Swedish, Italian, and Swiss parent companies. With the 1989 destruction of the Berlin Wall, the focus shifted for many of our clients to conduct more business outside the US in order to minimize labor costs.

It was during this 88-98 decade when WKMR realized the need to develop expertise in both multi-national and multi-state tax laws and international accounting procedures.

With the turn of the century approaching, WKMR was already addressing the Y2k issue. The firm continued to look for ways to stay ahead of the times and to provide exceptional service to their clients into the 21st century.

Interesting Facts From 1988

President: Ronald Reagan *Vice President: George Bush Sr.*
U.S. Population: 244,498,982 *Average Life Expectancy: 74.9 years*

Average Cost of:		*Gallon of milk: $2.30* *Loaf of bread: .61* *Gallon of gas: $1.08* *New home: $138,300*
Popular TV shows:		*The Golden Girls, The Cosby Show, Night Court*
Academy Awards:		*Best Picture: The Last Emperor* *Best Actor: Michael Douglas - Wall Street* *Best Actress: Cher - Moonstruck*
Grammy Awards:		*Record of the Year: Graceland - Paul Simon* *Song of the Year: Somewhere Out There - Linda Ronstadt and James Ingram* *Best New Artist: Jody Watley*
Sports:	*Super Bowl:*	*Washington Redskins defeat the Denver Broncos*
	World Series:	*LA Dodgers defeat The Oakland A's*
	Stanley Cup:	*Edmonton Oilers defeat the Boston Bruins*
	NBA Title:	*Los Angeles Lakers defeat the Detroit Pistons*

Some Important Dates

February 13 - 15th Winter Olympic Games open in Calgary Canada
March 16 - Iran Contra Affair: Lieutenant Colonel Oliver North and Vice Admiral John Poindexter are indicted on charges of conspiracy to defraud the United States
April 12 - Former pop singer Sonny Bono is elected Mayor of Palm Springs
June 25 - Cal Ripkin Jr. plays his 1,000th consecutive game
August 19 - A truce begins in the Iran-Iraq war
September 26 - Ben Johnson is stripped of his gold medal in the 100m sprint at the Seoul Olympics for failing a drug test
October 1 - Mikhail Gorbachev is named head of the Supreme Soviet
November 8 - George H.W. Bush is elected President of the United States over Michael Dukakis

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2008 Year End Planning

You've made it two-thirds of the way through 2008 and now it's time to review your financial situation before year end, to avoid any surprises on April 15.

Of course, the whole question of whether you will owe money on April 15 starts with taxable income: the higher it is, the more tax you pay, right? If you answered yes, you might be wrong. Actually, there are several types of income that are taxed at different rates: ordinary income, capital gain and qualifying dividends.

Ordinary income is the income that can be taxed anywhere from 10% to 35%. This includes wages, interest income, pension, alimony, business income and several other forms of income. If you have self-employment income from a partnership or a sole proprietorship, you not only have to pay income tax, but also self-employment tax. Self-employment tax is 15.3% for up to $102,000 in income. After that, it drops to 2.9%.

Capital gains are generated by selling or exchanging certain assets held for more than one year. Stocks, bonds, real estate, and other "capital" assets held greater than one year are taxed at 15% if your ordinary tax rate is 25% or more. If your ordinary rate is 10% or 15%, your capital gains tax rate is 0%. (0% rate is applicable from 2008 - 2010 only.)

Qualifying dividends are dividends that are taxed at 15%. Just like capital gains, if your normal tax rate is 15% or less, qualifying dividends will not be taxed.

So how do you control what kind and how much income you will realize? The first step is to look at what you have earned so far this year. What has your salary income been this year? Did you sell any assets? Are your mutual funds and other investments throwing off qualified or non-qualified dividends? Unfortunately, where you stand today is hard to change, but you can do some things to offset the effects of your year-to-date income.

If all of your income is from salary, it's not likely that you can do much to reduce your gross income. However, interest income is something that you may be able to control. If your savings are in money markets, consider placing a portion in certificates of deposit that pay interest sometime after December 31. Since most people are cash basis taxpayers, this will put some of your taxable income off until 2009. But make sure that you don't tie up money you will need in the short-term.

Have you taken large capital gains this year? You may want to look at your portfolio before year-end. If the goal is to reduce taxable income and you have investments that show a paper loss, why not make the losses real and use them to offset your capital gains? You should only do this if you don't expect the losing stock to increase in value anytime soon. Remember, you can't sell a stock and buy it back within 30 days. If you do, the IRS will not allow you to use the loss. Make sure you seek advise from an investment advisor.

Whenever you invest, you should look at the prospectus of the company or mutual fund before you buy. This will tell you the kind of income the company produces and, therefore, whether your investment will generate qualified dividend income. Be sure that you don't buy your stock before the ex-dividend date. Prior to the ex-dividend date, a stock is traded based on its investment worth and the fact that it will soon pay a dividend. If you buy right before that date, you are effectively buying taxable income.

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IT Corner - Backing Up to Stay Ahead - continued from page 3

4. Do you store regular backups off site?

All of the other points mentioned are irrelevant if your backup is destroyed in the same accident that wipes out your computer equipment. Getting your backups out of the building is critical.

There are several options you can consider to do this:

- Hire a service that collects the tapes and returns them when needed
- Cross-ship tapes to other facilities that you own
- Store tapes in a bank safety deposit box
- Store them in your home.

A paid service will usually provide the most security for your tapes while they are offsite, and will tend to eliminate any potential problems with having staff take company data to their homes. A paid service will probably be the most expensive, but is the most convenient option.

For those companies with multiple offices, cross shipping backup media to other locations is a way to retain a measure of control of the backups without incurring a lot of cost. The media is stored in facilities under your control, and the likelihood of more than one facility be damaged in a disaster is fairly small if they are located further than "across town" from each other.

Having an employee take a backup tape to a bank safety deposit box is usually the cheapest option, but the one that requires the most effort from the employees, unless they also make regular trips to the bank.

While we've listed this as an option, we do not recommend that you or an employee take the tapes home for offsite storage. It is possible for the tape to be damaged while left in a hot car, or it could be stolen from a home or automobile. However, this is a better option than not getting the backups offsite at all.

Getting backups that will work when you need them to is a critical part of your overall IT strategy. Fail in any one area, and your success in the others can be compromised. If you are not sure where you stand with respect to a good backup strategy, give us a call. We can help you optimize your backup process so it will work when you need it to.

2008 Year End Planning - continued from page 6

Do you own a sole proprietorship or partnership that reports on a cash basis? If you do, you may be in luck. By minimizing taxable income coming from these sources, you may be able to significantly reduce your tax bill.

There are literally hundreds of ways to manage your gross income if you are in the right position. But just like your income, you have to carefully manage your itemized deductions. If the object is to reduce income, make sure you pay all your deductible expenses by December 31. A short list of possible deductions includes:

- Medical expenses in excess of 7.5% of adjusted gross income
- State and local income taxes
- Real estate taxes
- Interest paid on your home or a second home
- Charitable contributions
- Employee business expenses
- Investment expenses

Whatever you do to reflect income in the most advantageous manner, don't forget that there have been some tax law changes this year. Depending on your circumstances, the new tax laws could provide significant benefits - or create an unexpected liability at year-end.

If you are unsure of your situation, schedule a thorough planning session with us in the next month. We have the tools and training necessary to help you assess your tax situation and offer guidance on the proper moves for the rest of 2008. If you have any questions or would like more information, give us a call.

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