



**What's New?**

**Our Name, Our Logo, Our Website**

**What's Changed?**

**Nothing at All**

Check out our new website and all its exciting new features:

[www.sharkcpa.com](http://www.sharkcpa.com)

Our new site includes a safe and secure client portal, which is a faster, more efficient and eco-friendly way for us to exchange data files. Plus feature articles, tax tips, money saving ideas, an archive of past Shark Bites Issues, client stories and more.

**Tax Saving Opportunities  
Expiring**

Don't miss your opportunity to take advantage of tax savings! A number of tax deductions and credits, made available for a limited time via the American Recovery and Reinvestment Act (ARRA), will be expiring at the end of this year. Some key expiring provisions are listed below, with brief descriptions.

**Small Business**

**Faster Write-Offs for Certain Capital Expenditures:** Small businesses may be able to write-off most or all new property and equipment investments made in 2009, on their 2009 tax returns. The special 50 percent depreciation allowance, known as bonus depreciation, was also extended through 2009.

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**Massachusetts Sales and  
Meals Tax Increases**

Massachusetts recently enacted sales and meals tax increases. As of August 1, 2009, the following changes will be implemented:

- The sales and meals tax rate is increasing to 6.25% (The current rate is 5%)
- Sales of all alcoholic beverages (beer, wine, and liquor) at retail outlets including package/liquor stores are now subject to sales tax. (Currently, retail purchases of alcoholic beverages are exempt.)
  - As a result, meals tax vendors (bars and restaurants) who are in the business of selling alcoholic beverages must now give their suppliers a resale certificate, Form ST-4, in order to purchase these beverages without payment of sales tax.

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**FRAUD,  
That Ugly Five Letter Word**

**Fraud.** It seems like we read about it in the newspaper everyday. Corporate fraud, embezzlement, theft and collusion are all very real. Fraud doesn't discriminate; it is prevalent in both small companies and large publicly-traded corporations. It is a fact of life that can be financially and emotionally crippling to the victims involved. Often times the perpetrator perceives this theft as a victimless crime, justifying their actions. What can you do to protect yourself and your company?

The current economic climate and related financial pressure has ignited the potential for fraud. Who doesn't know someone that has lost their job or had their hours cut in response to the economic slowdown? What about the employee nearing

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**New Massachusetts Data  
Security Regulations**

Massachusetts recently enacted a new data security law, often referred to as the "Security Breach Law", which increases the security measures required in the handling of personal data. The "Security Breach Law" will affect most organizations that do business with Massachusetts residents and may require you to change or update the way you handle all personal information. This new law goes into effect on January 1, 2010. Is your business prepared?

**What is the new law?** Every company (or individual) that owns, licenses, stores, or maintains personal information about a Massachusetts resident needs to develop, implement, maintain, and monitor a comprehensive, written information security program applicable to any records containing such personal information.

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## Tax Saving Opportunities Expiring (continued from page 1)

### **Expanded Net Operating Loss Carryback:**

For a limited time, small businesses which experienced a net operating loss for 2008 may be eligible to carry those losses back for up to five years, instead of the usual two.

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

Investors who purchase qualified small business stock may be able to exclude 75 percent of the gain upon sale, if their purchase is made after Feb. 17, 2009 and before Jan. 1, 2011, and held for more than five years.

### **Individual**

**First Time Homebuyer Tax Credit:** First time homebuyers, who purchase a home to be their principal residence during 2009, but prior to December 1, 2009, may be eligible to claim a one-time tax credit of up to \$8,000.

**Residential Energy Property Credit:** Individuals may be able to claim an energy property credit of up to \$1,500 for energy-efficient property or improvements placed in service in 2009 and 2010. This credit applies to improvements such as adding insulation, energy-efficient exterior windows and doors, and energy-efficient heating and cooling systems.

**American Opportunity Tax Credit (HOPE Education Credit):** In 2009 and 2010, eligible individuals can receive a tax credit for college education expenses of up to \$2,500 of the cost of tuition and related expenses paid during the tax year. This credit is available to cover the first four years of post-secondary education in a degree or certificate program, with 40 percent of the credit refundable.

### **Sales Tax Deduction for New Car Purchases:**

Individuals who buy a new car, light truck, RV or motorcycle during 2009 may be eligible to deduct the state and local sales taxes on their 2009 Federal tax returns.

### **Federal Subsidy for COBRA Continuation Coverage for the Unemployed:**

The federal government may provide involuntarily terminated workers with a 65 percent COBRA premium subsidy for up to 9 months. These individuals can continue to participate in their former employers' group health plans at a cost of only 35 percent of their normal COBRA premium. The former employer is required to pay the remaining 65 percent of the COBRA premium and can then claim credit for this subsidy on its quarterly or annual employment tax returns.

Please contact us at (508) 584-2120 to get further information and to let us help you determine which, if any, of the many available deductions may apply to you and your business. We look forward to answering your questions.

## Massachusetts Sales & Meals Tax Increases (Continued from page 1)

Massachusetts has provided guidance concerning the implementation of these changes pertaining to existing contracts. They are as follows:

- For qualified written contracts entered into prior to August 1, 2009, the 5% former rate will apply, provided the property is delivered to the retail customer not later than 90 days thereafter. (Note: Property delivered after October 30, 2009, regardless of contract terms, will be subject to tax at the rate of 6.25%.)

- These sales, in order to qualify for the 5% rate, must be reported on July 2009 sales tax returns.

- Sales of building materials and supplies to be used in the construction, reconstruction, alteration, remodeling, or repair of any building or structure will be taxed at 5% if the materials and supplies are to be used pursuant to a qualified contract entered into (1) before August 1, 2009, or (2) before October 1, 2009, if the contract is entered into in accordance with a bid that had to be submitted before August 1, 2009.

- A contractor or subcontractor making a purchase subject to 5% tax must give the vendor a properly completed exemption Form ST-5R and must report and pay use tax on these purchases. Note: the contractor should report these purchases by listing the purchase price of this property at 80% of the actual cost.

- For leases of tangible personal property such as equipment or motor vehicles, whose terms exceed 30 days and are paid on a periodic basis, the due date of the payment controls the sales tax rate. If the due date of a payment falls on or after August 1, 2009, tax is due on that payment at the rate of 6.25%.

Effective October 1, 2009, cities and towns have been given the option to implement a local meals tax of .75%, in addition to the state meals tax of 6.25%. A city or town may also elect to increase its local room occupancy excise tax. The city or town must vote to adopt these increases no later than August 31, 2009 in order to impose the additional excise starting on October 1, 2009. Otherwise, this local excise will take effect on the first day of the calendar quarter following thirty days after acceptance by the city or town, or on the first day of a later calendar quarter that the city or town may designate.

Please contact us at (508) 584-2120 to get further information regarding these new tax laws. We look forward to answering your questions.

## FRAUD, That Ugly Five Letter Word

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retirement that lost 60% of their retirement funding in the last six months? How is the employee managing their finances with that predatory mortgage they are carrying but can't afford? Is the manager massaging the numbers to reach his bonus benchmark? Each one of these scenarios is a motivating factor for fraud. An honest, hardworking employee may feel pressured into doing something that they would never contemplate under ordinary circumstances. An employee may justify fraud as a matter of survival. It is a very dangerous environment we are living in; one that can not be ignored.

There may be no obvious sign that a trusted employee may be struggling financially or that your bookkeeper is adjusting the financials to disguise mistakes, hide poor performance, or pass ratio covenants. As management, you should be aware that there may not be obvious red flags.

Fortunately there are ways to protect yourself and your assets. You can implement and check internal controls within your systems that are specifically designed to highlight discrepancies and unusual activity. As management, you can implement some procedures that can save major problems down the road. Something as simple as changing your behavior and attitude will have a significant effect on employee motives and performance. Perception in and of itself is an important intrinsic control that is the easiest to implement. At a very minimum, each bank statement should be opened and examined for unusual payees, withdrawals, or transfers. Follow up by monitoring cash flow and collections and implementing regular meetings with your billing staff to reinforce control over your assets. Segregation of duties, especially in a small office, is one of the most effective controls you can implement. These are just a few examples of simple steps that you can perform to strengthen internal controls.

We have experience working with our clients to implement cost effective internal controls to safeguard your assets. If you feel that you are at risk, please call us at (508) 584-2120 to discuss the ways we can help you avoid a potentially devastating situation.

## New Massachusetts Data Security Regulations

(continued from page 1)

**What is personal information?** It can be many things, but most commonly considered personal information are the following: Resident's first name and last name, or first initial and last name in combination with one or more of the following:

1. Social Security number,
2. Driver's license number, and/or
3. Financial account number, or credit card/debit card number (with or without any security code, access code, or PIN/password)

**How does this new law affect you?** If you handle or store any personal information of the type listed above, you need to review both your computer information systems and your non-computer (i.e., paper-based) systems to make sure you are safeguarding Massachusetts residents' information securely. **These laws apply to all individuals and businesses that have Massachusetts resident's information, regardless of your location.**

**What are some of the compliance issues you need to consider?** Ask yourself the following questions: What authentication is required to log onto your systems? What strategies do you have for filtering and encrypting e-mail into and out of your site? What do you do for backup and recovery of data? How vulnerable are your systems to attack from the outside? What kind of firewall you have? What kind of anti-virus and anti-spyware do you employ? How do your staff and others legitimately access your systems from the outside? What kind of staff training do you offer and how frequently do you provide this training?

**What are the penalties for non-compliance?** There are two different types of violations. One is improper disposal of data—the penalty assessed can be as high as \$50,000. The second type of violation is failing to protect personal data by not encrypting it or not putting a password on the file, which leaves the information vulnerable to theft. The penalty for failure to protect data, which results in data theft by another party, can be as high as \$5,000 *per violation*. In addition, the Massachusetts Attorney General could bring suit against your company for failure to protect personal data of Massachusetts residents.

**How can Sharkansky help you?** We have experience working with our clients to audit, assess, and implement cost effective internal controls to safeguard personal information. We can perform an extensive audit of your personal information security systems to determine if your systems are in compliance and if not, what changes your business needs to implement to be in compliance. Once you have our individualized security assessment, we can assist you in implementing changes, provide staff training, and ongoing consultation, as needed, to keep your business in compliance. We have already done this for our own systems, to ensure the safety of your personal information. With our knowledge of information systems, the data security regulations, and sound business practices, we can provide your business with the same degree of compliance.

**What should you do next?** If you are concerned that your systems may be at risk or are non-compliant, please call us at (508) 584-2120 to discuss the ways we can help you be in compliance. The new law goes into effect January 1, 2010, so please call us as soon as possible to schedule an initial evaluation.