Accounting for Ourselves...

The firm would like to welcome two recently hired Associates: Garrett R. Davis and Jessica L. Gunn to the professional staff. Garrett is a native and resident of Huntington, West Virginia, where he graduated from the Lewis College of Business at Marshall University with a Bachelor of Business Administration degree in Accounting. Jessica hails from Barboursville, West Virginia, and graduated from the Lewis College of Business at Marshall University where she received a Bachelor of Business Administration degree in Accounting and Management with a concentration in Healthcare. Both Garrett and Jessica were selected to participate in the Somerville & Company Accounting Internship program and now concentrate their efforts providing accounting, auditing and tax related services to a wide range of clients. Welcome aboard!

Congratulations to Associates: Mendy A. Aluise, Matt L. Brotsky, Linda A. Burns, Sharon K. Chandler, Alex S. Sawtrop, Kathy S. Moore, Kileena B. Rayburn and Partner Wade S. C. Newell who all have completed comprehensive training curriculum developed by Intuit to become Certified QuickBooks ProAdvisors. Somerville’s Inhouse ProAdvisors are available to help businesses better manage their finances and prepare for tax reporting with this specialized training, software installation and customization, as well as recommend add ons for value. If you or your business would like QuickBooks software training, please contact Wade Newell at (304) 525-0301 or email wade.newell@som-co.com.

The Internal Revenue Service (IRS) recently issued guidance on the treatment of basis for certain estates of decedents who died in 2010 to assist executors who are electing to opt out of the estate tax and have the carryover basis rules apply. The IRS also clarified how donors can opt out of the automatic allocation of the generation skipping transfer (GST) tax exemption for direct skips in 2010.

Under the new guidance, an executor must file Form 8939, Allocation of Increase in Basis Properly Acquired from a Decedent, to opt out of the estate tax and have the new carryover basis rules apply. The IRS expects to issue Form 8939 and the related instructions early this fall. Form 8939 must be filed by January 17, 2012. Executors using this form will be required to provide extensive details of property and property valuations. To remain in the estate tax regime, the IRS has instructed executors of the estates of decedents who died between January 1, 2010 and December 17, 2010 to file the form that is used for taxable estates, Form 706, by September 19, 2011.

With the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the estate tax was gradually reduced and was repealed altogether in 2010. After 2010, the estate tax was scheduled to revert to the previous maximum tax rate of 55% and an exclusion amount of $1 million. But under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (Tax Relief Act) of 2010, each taxpayer’s first $5 million, or $10 million for married couples, are exempt from estate taxes. Above that amount, estates are subject to a maximum 35% rate. The estate tax provisions of the Tax Relief Act apply to decedents who died after December 31, 2009 and before January 1, 2013. The new law also eliminates the modified carryover basis rules that were in effect in 2010 only, and replaces them with the unlimited step-up basis rules that had previously applied.

While the Tax Relief Act retroactively reinstated the estate tax for the estates of decedents who died in 2010, it allowed executors to opt out of the reinstated tax. Therefore, executors of the estates of individuals who died in 2010 may choose between having the estate taxed under the Tax Relief Act, or under the EGTRRA provisions that were in effect in 2010, when the estate tax rate was zero, but estates were subject to a modified carryover basis regime. The Internal Revenue Code.

Under the step-up basis rules, the value of an inherited asset is "stepped-up" from the original purchase price to the higher market value of the asset at the time of inheritance, and the heirs are freed from paying capital gains taxes on the increase in the value of the asset over the decedent’s lifetime. Yet, under the modified carryover basis rules, heirs of property from a decedent who died in 2010 were allowed to step up to only $1.3 million of the

IRS Issues Guidance on Carryover Basis Rules for Decedents in 2010

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Tablet Computer Security Issues to Consider

With the success of smart phones, particularly the iPhone, projected success of tablet computers, such as the iPad, is predicted to soar as well. According to PCWorld.com, analysts estimate that Apple will ship 10 million iPads by the end of 2011.

Tablet computers such as Apple's iPad and its lower priced competitor, the Amazon Kindle Fire, have been met with enthusiastic reviews and seem to be here to stay. You can find these devices used in all types of business as they are user friendly and travel well. Their thin, sleek size fits easily into most briefcases, and they also sit comfortably on a lap for reading on a plane. The remote wireless internet feature provides convenience for accessing information quickly and seamlessly particularly in face-to-face meetings without the hassle of using a bulky computer monitor.

Other advantages for using tablet computers include improvements in the processing power and the increased use of online storage services that are now taking place of large, local hard drives. Despite popularity and efficient features, tablet computers have their drawbacks, and businesses should strongly consider these risks.

Topping the list is security. To begin, most users are not aware that laptop computers, unlike tablet computers, have more security programs designed to protect from spam, viruses, hacking, and theft. There have been noted weaknesses in Apple's iPad Safari web browser, which translates into serious concerns for the iPad.

As with other information technology used in a business setting, a formal written policy should be in place for employees with guidelines for tablet computer use, be it professional or personal.

The following should be considered when amending your company policy to include tablet computers:

Mandating employee passwords Most experts believe mandating employee password usage is critical. A strong password should include not only letters but numbers and symbols, and be changed frequently.

Install standard security As tablet computers provide the ability to connect remotely to sensitive and/or company data, the use of a built-in remote-wipe feature (which provides the ability to wipe files remotely off lost or stolen tablet computer or mobile devices) proves critical.

Periodically inventory tablets Have IT personnel or the company computer liaison review tablet computers intermittently to check for viruses and unauthorized use of apps used to house company data.

It’s important for companies to establish ground rules for the use of devices and develop policies and procedures that take the security implications of the device into consideration. The good news is that experts now believe companies understand the security implications. Software security vendors continue to develop software to protect tablet computers and other devices. Now is the time to review your policies and assess the risk that tablet computers may pose for your company and personal use. For more information on tablet computer security and information technology concerns, contact Somerville & Company’s Managing Partner Wade S. C. Newell, CPA, via email at wade.newell@s-co.com or Firm Technology Chairperson & Associate Alex Gawthrop at alex.gawthrop@s-co.com or (304) 525-0301.

IRS Revokes Tax-Exempt Status of Many Nonprofits

On June 8, 2011, the Internal Revenue Service (IRS) announced that approximately 275,000 nonprofit organizations automatically lost their tax-exempt status because they did not file legally required annual reports for three consecutive years. While agency officials said they believe that the vast majority of tax-exempt organizations are in compliance with the new filing requirements, and that most of the organizations that failed to comply are small, the IRS is providing further assistance to existing organizations applying for reinstatement of their tax-exempt status.

Under the Pension Protection Act (PPA) of 2006, most organizations that have been granted tax-exempt status are required to file an annual information return or notice with the IRS using Forms 990, 990-EZ, 990-PF, or 990-N. The law imposed a filing requirement for the first time in 2007 for very small organizations (with annual gross receipts of $25,000 or less through 2009, or $50,000 or less starting in 2011), but these groups are permitted to file using the 990-N "e-postcard." The law automatically revokes the tax-exempt status of any organization that does not file required returns or notices for three consecutive years.

The IRS has issued guidance on how organizations can apply for reinstatement of their tax-exempt status, including retroactive reinstatement, and offered transition relief for tax-exempt organizations with annual gross receipts of $500,000 or less for 2010. To receive retroactive reinstatement, a nonprofit must re-file Form 1023 or 1024, and demonstrate reasonable cause for failure to file an annual return. These reinstatement procedures are not available to organizations that lost their tax-exempt status as a result of an IRS examination.

The list of organizations whose tax-exempt status has been revoked is available on the IRS website. The IRS said it will update the list monthly to include additional organizations that lose their tax-exempt status. Publication 78, Cumulative List of Organizations, is also being updated to reflect the changes.