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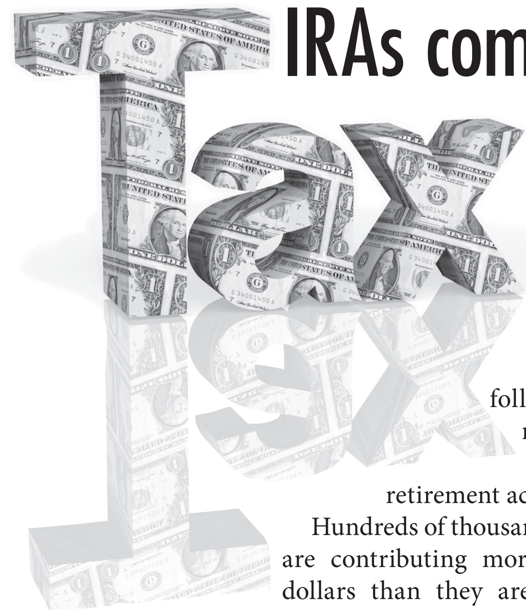


IRAs coming under increased scrutiny

The Internal Revenue Service says it is losing millions of dollars a year in taxes because people aren't following federal rules established for individual retirement accounts.

Hundreds of thousands of taxpayers are contributing more tax deferred dollars than they are allowed each year, according to a recent Treasury Department report for 2006 and 2007.

And many others don't begin taking annual distributions at age 70½ as required – when the taxes deferred earlier would typically be paid.

Excess contributions resulted in an estimated loss of $94 million in excise tax and $17 million in income tax. In addition, those who failed to take required minimum distributions resulted in an estimated tax revenue loss of $174 million, the report said.

In 2009 and 2010, you are allowed to contribute up to $4,000 per year to your IRA and $5,000 if you are age 50 or older. Excess contributions are subject to a 6 percent excise tax. By April 1 of the year following the year in which you reach age 70½, you are required to begin taking annual distributions from your IRA.

An earlier report found that IRS processing procedures for IRAs do not ensure that individuals are complying with IRA rules and recommended several ways to address the problem.

Plans call for the IRS to develop a comprehensive strategy to address the growing noncompliance with limits on IRA contributions, which would incorporate compliance, education and outreach components. ▮

Older children may now be covered under parents' plans

Children up to age 27 may now be covered tax-free under a parent's employee healthcare coverage as a result of the new healthcare reform act.

This expanded healthcare tax benefit – which took effect immediately – applies to various workplace and retiree health plans as well as self-employed individuals who qualify for the self-employed health insurance deduction on their tax return.

A child includes a son, daughter, stepchild, adopted child or eligible foster child. The new age 27 standard replaces lower age limits that applied under prior tax law, as well as the requirement that a child generally qualify as a dependent for tax purposes.

The Affordable Care Act also requires plans that provide dependent coverage of children to continue to make the coverage available for an adult child until the child turns age 26. The extended coverage must be provided no later than plan years beginning Sept. 23, 2010.

Employees with children who will not have reached age 27 by the end of the year are eligible for the new tax benefit from March 30, 2010, forward, if the children are already covered under the employer's plan or are added to the employer's plan.

The new age 27 standard replaces lower age limits that applied under prior tax law

These changes immediately allow employers with cafeteria plans to permit employees to begin making pretax contributions to pay for this expanded benefit.

Employers with cafeteria plans may permit employees to immediately make pretax salary reduction contributions to provide coverage for children under age 27, even if the cafeteria plan has not yet been amended to cover these individuals. Plan sponsors then have until the end of 2010 to amend their cafeteria plan language to incorporate this change. ▮

SEE

INSIDE

Should you ride Google Wave?

New application offers project collaboration tools — at no cost

Julian Darius is overseeing the productions of a dozen books and three documentaries for his company, Sequart Research & Literacy Organization.

The thing is, Julian lives outside of Chicago, his partner lives in New Jersey, his film crew is in New York City, and the authors of his books are strewn out around the states.

Wave combines the properties of e-mail, instant messaging and teleconferencing and consolidates links, documents and videos into one place

Carolyn Uy, a native of Los Angeles, runs day-to-day operations of her educational phone application business, Lynandline, with her business partner Caroline Dahllof in Norway.

Uy and Darius are two of thousands of business people making use of the new, free Web application Google Wave to help them work on projects together whether across the office or around the world.

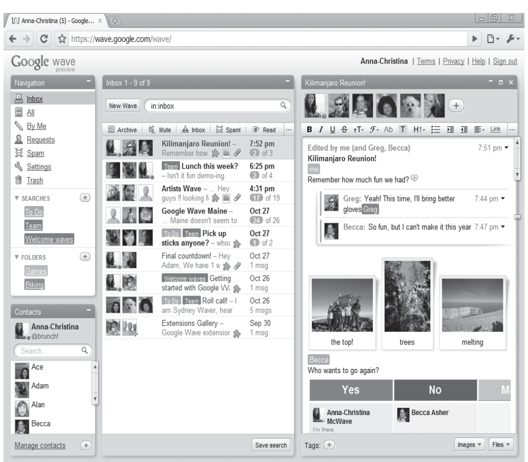
What is Google Wave?

Google Wave, which is free to the public, was introduced to consumers by invitation last September and made available to the public in late May 2010.

Google Wave is a tool accessed through the Web that allows several collaborators to communicate by starting "waves" – live shared space where people can work together on projects.

With an interface that looks similar to e-mail, it could also be described as e-mail plus. Wave combines the properties of e-mail, instant messaging and teleconferencing and consolidates links, documents and videos into one place. It works when two or more people get online together and start a conversation.

"In Google Wave, everything takes place in flexible, hosted conversations known as waves, which are shared spaces on the Web that update live as you type," explains Google PR associate Sara Jew-Lim.



Darius used the application on a current documentary to create a master list of interview questions with the producers and director of the film. Wave was used as a central place where each collaborator could create, edit and delete questions until a final list was agreed upon.

10 ways to use Wave

As Google Wave is incorporated into more and more businesses, users are tapping Wave's potential to be used for various tasks in innovative ways. Over time, extensions and gadgets that enhance the use of Wave are continuing to be developed. This increases Wave's potential to be useful to every business.

Here are 10 ways you can incorporate Google Wave into your day-to-day business:

1. Create a wave for your marketing team to plan the launch of a new product.
2. Communicate with a French collaborator who doesn't speak English in both languages using the translation device, Rosy.
3. Allow open discussion with a large group during a brainstorming session. Then go back with editing to clean out the excess, leaving only the master plan.
4. Organize a company meeting using the Wave extension that helps you pick a date by letting attendees vote on the dates they can attend.
5. Have an ongoing collaboration with a business partner half way around the world.
6. Keep track of who's out of the office without clogging employee e-mail by starting an out-of-office wave.
7. Brainstorm ideas for various new projects by using multiple waves.
8. Poll your entire office using the extension for polling groups to decide if your next company outing should be bowling, softball or a barbeque.
9. Plan a panel discussion with the people who will present.
10. Have a panel discussion with all of the presenters and attendees.

What are its benefits?

Wave's major benefits are its tendency to keep conversations organized and the ability for users to look back through a conversation at any time.

"It helps us to keep very careful track of upcoming and ongoing projects," says Darius.

"One of the main things we've learned," says Google's Jew-Lim, "is that Google Wave shines in situations in group projects, particularly ones that require discussion in context."

A major change for those used to e-mail is Wave's playback feature. After collaborating with a group, any participant can click the playback button and see each message written and edited by any member of the group as it happened.

This feature is beneficial because it shows any deleted or

See Google Wave next page

Red Flags Rule: *Deadline extended to Dec. 31*

The deadline for compliance to the Red Flags Rule to prevent identity theft of customer information has been delayed once again – this time until Dec. 31, 2010.

The Federal Trade Commission made the decision at the request of several members of Congress just before the previous June 1 deadline. The delay allows them to consider legislation that would affect the scope of entities covered by the rule.

The mission of the Red Flag Rules is to "detect the warning signs of identity theft in day-to-day operations, take steps to prevent the crime and mitigate the damage it inflicts." Noncompliant businesses are to be brought into compliance by the FTC, the National Credit Union and some other bank regulatory agencies.

The rule requires compliance from two primary types of groups: financial institutions such as banks, credit unions or others that may hold consumer transaction accounts, and businesses that allow their customers to pay later for goods and services.

An organization is required to have a written theft identity prevention plan only if its accounts allow multiple payments or transactions, or if its accounts might present a "reasonably foreseeable" risk of identity theft.

Organizations with "covered accounts" must develop and implement written identity theft prevention programs to help identify, detect and respond to patterns, practices or specific activities – known as "red flags" – that could indicate identity theft.

The rule first became effective on Jan. 1, 2008, with full compliance originally required by Nov. 1, 2008. The commission has issued several delays, the most recent deadline being June 1, 2010.

In the interim, the FTC staff continues to provide guidance, both through materials posted on www.ftc.gov/redflagsrule and in training events for numerous groups. The FTC also published a compliance guide for businesses and created a template that enables low-risk organizations to create an identity theft program with an easy-to-use online form. It is available at www.ftc.gov/bcp/edu/microsites/redflagsrule/get-started.shtm. ∎

Economic recovery: *What concerns executives?*

Many companies have taken steps in the past two years that they fear could hurt future growth prospects of their business. They may have reduced research and development, cut employment numbers and lost long-standing third-party relationships.

As many companies focus on risks that could stand in the way of their recovery from the economic downturn, the business-research company Corporate Executive Board surveyed finance executives across the country to identify the top 10 risk spots for 2010.

1. **Strategic change management.** The upheaval of the past year and the desire to seize opportunities during the recovery will make for a lot of changes, including mergers, acquisitions and divestitures. These shifts leave a lot of room for controls to fall through the cracks and can create new liabilities.
2. **Capacity.** Faced with uncertain demand, companies risk both over- and understaffing. Timing capital expenditures, such as new facilities or equipment, will also pose a challenge.
3. **Incentive plans.** Compensation is under scrutiny because of the recession and could pose a risk for public companies.
4. **Human resources.** Layoffs have left many companies with skill gaps and possible holes in their compliance structures.
5. **Fraud.** Widely thought to pick up (or be revealed) in down times, fraud can be easier to commit at companies that are short-staffed and under pressure, like most businesses today.
6. **Innovation/R&D.** Companies that have cut back in this area during the downturn risk falling behind their competitors.
7. **Third-party relationships.** The collapse of Lehman Brothers opened CFOs' eyes to just how careful and far-reaching they need to be in evaluating third parties.
8. **Shared services.** Under pressure to cut costs, finance executives are exploring new locations for their back-office functions. This can affect companies' control structures and processes.
9. **Inflation/Deflation.** Currency risk remains an open question for 2010.
10. **Tax management.** To raise funds, recession-scarred states are adding new taxes and enforcing current tax laws. ∎

Google Wave *continued from previous page*

changed information, which gives a full picture of the communication. It also allows anyone coming into the conversation late to catch up quickly.

Since it is free, Wave is a great tool for small businesses, because it reduces startup costs, Uy said. But as a former employee of a large company, she can also see the potential, especially where there is front-end development.

Overall, Uy recommends Wave for "basically anybody who has to communicate – anyone who uses e-mail."

What are the drawbacks?

The newness of Google Wave means that there are still bugs in the application itself as well as in the extensions used as tools on the application.

Tools with great potential like the videoconferencing feature are not yet where they need to be. For instance, Uy currently uses the Skype program for videoconferencing because she says the extension used on Google Wave has a distracting lag time.

An inherent problem with Wave is that it can be too good at allowing collaboration, Darius said.

"Everyone can add their two cents, and the end result can be overwhelming," says Darius.

To combat this, Darius recommends a project manager be appointed in some situations to keep control of discussions and pare them down after the fact.

How do I use it?

Anyone can begin using Google Wave by going to the Google website at https://wave.google.com and creating an account. Because Google Wave is Web-based, you won't need to download anything, and you can access it from any computer.

Once logged into the application, it's only a matter of learning how to properly use it.

"Anyone who can use e-mail can use Google Wave," says Uy about the learning curve.

Several users and Google itself have also created blogs, YouTube videos and books to help people master the art of successfully using Google Wave.

The key is to get out there with someone else and start communicating. – *Jennifer Dooley, Esq.*

Items of Interest

E-mail from the IRS? … Beware of scams

If you get an e-mail with an official-looking IRS logo that asks you for personal information – beware.

The IRS is warning consumers that a number of e-mail scams are afoot that ask about credit cards, PIN numbers, bank accounts and other financial information.

The main thing to remember, says the IRS, is that the Internal Revenue Service does not initiate taxpayer communications through e-mail.

If you receive an e-mail from someone claiming to be the IRS or directing you to an IRS site, the following steps should be followed:

- ➥ Do not reply.
- ➥ Do not open any attachments. They may contain a code that will infect your computer.
- ➥ Do not click on any links.
- ➥ Forward the e-mail or website URL to the IRS at phishing@irs.gov.
- ➥ Delete the message after you forward it.

Homebuyer tax credit extended to Sept. 30

The federal homebuyer tax credit has been extended by Congress until Sept. 30, 2010, for purchasers who had signed contracts by April 30 to complete the sale. The previous deadline to complete the sale was June 30.

First-time homebuyers can claim a credit up to $8,000 and existing homeowners up to $6,500.

More than 2.6 million taxpayers claimed the tax credit through April, according to the IRS.

Companies abusing workers' comp targeted

New legislation that took effect June 10 cracks down on employers, workers and healthcare providers who defraud or abuse the workers' compensation system.

The new law will make it easier to bring criminal fraud cases against those who knowingly cheat the system.

Employers no longer will be able to avoid insurance premiums by closing a business and reopening a new one with a clean slate in regard to business taxes.

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