

# BottomLine

Just a quick chat from your accounting firm

FREDRICKZINK & Associates

A professional corporation. | CPAS

Winter 2010



## 24 Million Cups of Tea

If you google "what would happen if there were no taxes?" you'll find all sorts of blogs and articles with the majority of sentiment stating that it would lead to a collapse of our country. We're not here to comment on that. A world without taxes would mean CPAs like us might have to rely on our alter egos to shine through. After all, no taxes means no tax accountants and fewer reasons for audits. Maybe Chuck would hit the road with a band and his saxophone, and Sid would go on the public-speaking circuit. Not to worry, taxes aren't going anywhere too soon. We'll be keeping our day jobs.

We bring this up because what we did find was something really interesting about the Tea Party. Not this year's political group. Not your grandkid's imaginary get together. But the one where a little band of patriots drowned the tea in the Boston Harbor in 1773. We're going WAY back. Here's why.

Although school children are usually taught that the American Revolution was a rebellion against "taxation without representation," in fact what led to the American Revolution was rage against a transnational corporation (The East India Company). You see, by the 1760s, this multi-national company dominated trade from China to India to the Caribbean, and controlled nearly all commerce to and from North America, with subsidies and special dispensation from the British crown.

### The more things change, the more they stay the same

So in many ways the Boston Tea Party resembles the growing modern-day protests against transnational corporations and small-town efforts to protect themselves against big box retailers, factory farms, and such. Turns out the bean-town band of rebels threw what amounted to 24 million cups of tea into the harbor that night, and began the journey to the moment when "the shots were heard around the world" at Lexington and Concord in 1775.

We do things a bit differently now. Instead of tossing tea, towns like Durango have Buy Local campaigns, LOCAL coupon books, and businesses that support doing business locally. So...during this new year, let's all decide to buy local and have a good conversation over a cup of tea.

Happy Holidays. Happy 2011.

Chuck Fredrick, CPA

Sidny Zink, CPA

## 2011 IS FAST APPROACHING What should you be doing now to lower your 2010 tax bill?

Typically taxpayers attempt to accelerate deductions and defer income in order to lower current year taxes, but with the uncertainty surrounding 2011 tax rates (congress has yet to decide on anything) it may be better to accelerate income and defer deductions. Why? If 2011 tax rates are significantly higher it may be beneficial for you to pay taxes on the income at the current tax rates.

There are some things that we do know:

- Energy efficient home improvement credit expires at the end of 2010. Replacing windows, doors, insulation, etc. can all count towards the credit.
- The hybrid vehicle tax credit expires for all models.
- Long term capital gains tax rate may increase to 20% (from 15%).
- Child and dependant care tax credit will be reduced to \$2,400 for one child and \$4,800 for two with a maximum credit amount of 30% of expenses.
- The child tax credit will be reduced to \$500 per child.
- The earned income credit will be based on a maximum of two children.
- The student loan interest deduction will only be available on the interest paid in the first 60 months of repayment, and will start to phase-out at \$40,000 (\$60,000 for MFJ).
- The American Opportunity tax credit expires at the end of 2010, reverting back to the Hope credit.
- The Making Work Pay tax credit expires at the end of 2010.

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# IT'S HARD TO REMEMBER WHAT TO RETAIN!

## Here's a handy records retention checklist

It's always a common and ongoing question facing your business: how long should you retain business records? Unfortunately, there is no easy answer. Many factors come into play: type of business, specific needs of management, state and regulatory requirements, among others. However, the following suggested retention schedule provides a guideline and not a legal requirement. If you have any questions, give us a call.



### ACCOUNTING

Bank statements, deposit slips & reconciliations	4 years
Payroll (time cards)	4 years
Dividend checks (canceled) & royalty calculations	6 years
Expense reports & analyses	6 years
Subsidiary ledgers (including A/P & A/P ledgers)	6 years
Trial balances (monthly)	6 years
Checks (payroll & general)	8 years
Inventory count sheets	8 years
Payroll (individual time reports & earnings records)	8 years
Vouchers (for payments to vendors, employees, et al)	8 years
Financial statements (year-end)	indefinite
General ledgers & journals	indefinite
Computer programs & documentation	indefinite

### CORPORATE RECORDS

Mortgages, notes & leases (expired)	8 years
Bylaws, charters & minute books	indefinite
Cash books	indefinite
Capital stock & bond records (including stock certificates & transfer lists)	indefinite
Checks (taxes, property & fulfillment of important contracts)	indefinite
Contracts & agreements	indefinite
Copyrights & trademark registrations	indefinite
Credit history	indefinite
Deeds and easements	indefinite
Labor contracts	indefinite
Patents	indefinite
Property appraisals	indefinite
Property records (real)	indefinite
Proxies	indefinite
Retirement & pension records	indefinite
Tax returns & working papers	indefinite

### CORRESPONDENCE

General	3 years
License, traffic & purchase	6 years
Production	8 years
Legal & tax	indefinite

### INSURANCE

Policies (all types-expired)	4 years
Accident reports	6 years
Fire inspection reports	6 years
Group disability records	8 years
Safety records	8 years
Claims (after settlement)	10 years

### PERSONNEL

Employment applications	3 years
Contracts (expired)	6 years
Daily time reports	6 years
Disability & sick benefits records	6 years
Personnel files (terminated)	6 years
Withholding tax statements	6 years

### PURCHASING & SALES

Purchase orders	4 years
Requisitions	4 years
Sales contracts	4 years
Sales invoices	4 years

### TRAFFIC (Receiving & Shipping)

Export declarations	4 years
Freight bills	4 years
Manifests	4 years
Shipping & receiving reports	4 years
Waybills & bills of lading	4 years

## Heros Among Us

It's not every day that a firm gets to boast of a Hero on board, but it's certainly doubly gratifying when the award is presented by one of our leaders as well. Congratulations go out to Sherin Clarke (one of our CPAs) on receiving a 2010 Everyday Heroes and Heroines Award from the Colorado Society of CPAs. Sherin accepted her award at the CPAs Make a Difference Celebration on November 4th, 2010. Our own Sid Zink, the Chair of the CSCPA and a previous award winner, proudly presented Sherin her award. Below is the nominating letter that brought Sherin's "hero-ness" to the attention of the CSCPA.



To Colorado Society of CPAs:

I wish to nominate Sherin S. Clarke, CPA for an Everyday Heroes and Heroines Award.

Walk the streets of Durango and you are sure to meet several community members who have felt Sherin's impact.

Sherin is an everyday hero to a lot of young ladies in the Durango, Colorado area. As the coach of a 7th grade girl's soccer team, Sherin volunteers countless hours sharing her love for the game of soccer and teaching our local youth good sportsmanship.

As the President of the Four Corners Chapter of the CSCPA, Sherin organized a Junior Achievement course to teach financial literacy to area high school students. In its first year, the program was supported by 20 local professionals, and the future looks bright for the program.

After work, Sherin can be found on the soccer field with "her girls" running soccer drills and getting the team ready for their next game. As a coach, Sherin is in a position to be an influential person to the players on her team. Her dedication to the players, love for the game, and outstanding work ethic make her an excellent role model.

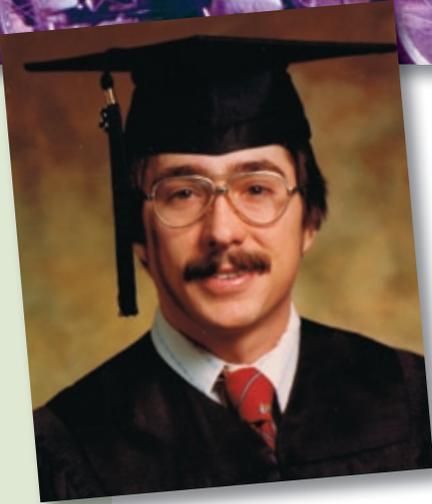
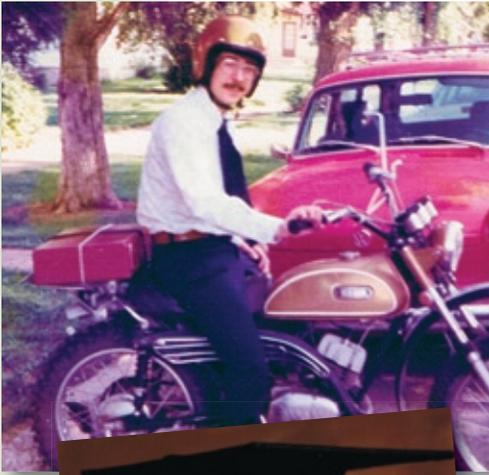
Sherin volunteers for the Four Corners Chapter of the CSCPA, and is currently the President. This winter she organized a Junior Achievement course to teach financial literacy to local high school students. Despite the fact that the course was held during the busiest time of the year for CPAs, Sherin recruited more than 20 professionals to educate students on savings and investments, credit cards and credit scores, identity theft, and other important financial literacy topics. 2010 was the first year for the program, and uncertainty was high. Would the community support the effort? As she prepares for the 2011 course, Sherin has her answer. The community values her efforts, and Sherin already has funding for the entire 2011 course.

A natural leader, Sherin doesn't spend time thinking about how to engage others. Her enthusiasm is infectious, and people buy-in to her agenda easily. Coupled with her vast knowledge, she isn't just a natural leader she is a great leader.

I think Sherin is an everyday hero, not because of what she does but why she does it. She didn't organize the Junior Achievement course for publicity; she did it because she saw a need in the community and had the ability to fill it.

Sincerely,

Ginny Johnson  
Firm Administrator



## Chuck Celebrates His 35th Year

Who knew he got his CPA when he was 4...

From these photos you can see that, while Chuck has ditched the glasses (thank the fashion police for that one), the mustache remains to this day, giving us hope that some things don't change. But, let's face it, in 35 years a lot has changed. While Chuck has been diligently serving his clients since 1975, the world has seen some pretty radical swings. In 1975, the Dow closed at 858 points; the average income was \$14,100; the average house was worth \$39,300 (find that in Durango today); you could buy a car for \$4,250; the average rent was \$200 a month; and you'd find gas prices at the pump topping out at a whopping 44¢ per gallon. But there is a familiar flip side to these numbers too. In 1975 the unemployment rate was 9.2%, and in order to avoid bankruptcy, New York City required a \$2.3 billion loan (that's happening to a state on the opposite side of the country today).

1975 was also the beginning of many things. Bill Gates, not yet a household name, started Microsoft; Motorola applied for a patent for a mobile phone (can you hear me now?); and Saturday Night Live debuted on NBC. It's fun to think of what is currently being developed that will be a mainstay in our lives in 35 years.

What we know for sure, right here at home, is that the past 35 years have been better with Chuck in our midst. And we'd wager money on the mustache keeping its spot above his smile for the next 35. **Happy Anniversary Chuck!**

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