



THE ELLS OUTLOOK

January/February 2009

ELLS Goes Global!

We kicked off the New Year in a big way and are especially pleased to announce that ELLS has joined Certified Public Accountants Associates International (CPAAI), a global group of high-quality independent CPA and chartered accounting firms with members throughout the world. Our membership in CPAAI is equivalent to ELLS having access to over 150 branch offices in 73 countries.

The mission of CPAAI is to maintain an alliance of outstanding firms committed to the exchange of ideas, information and expertise – with a goal of enhancing our ability to provide expanded services to our clients. In addition to the U.S. and Canada, CPAAI members are located in Europe, Asia Pacific, the Middle East, Africa, and Latin America.

“Our decision to ‘Go Global’ has been a management objective for several years,” said ELLS President Ed Lieber. “We have many clients who do business in other countries and states and serving the needs of these clients was a major impetus in our search for an alliance such as we found with CPAAI. It also gives us the capability to offer additional services in such areas as out-of-state auditing, business valuations, and international business opportunities, to name a few benefits to our clients.”

Ed Lieber, Greg Lewis, and Sherry Radmore attended a CPAAI conference last October and were delighted with the quality of the speakers and the warm welcome they received from other members. ELLS Shareholders and staff have enrolled in CPAAI interest groups covering Real Estate, Manufacturing, Health Care, Taxes, Estate Planning, I.T. and Marketing.

“It is no longer realistic in our information age for us to keep current on the many tax changes, industry trends, and latest technology that affect our clients, without sharing information on a regular basis among informed colleagues,” said Shareholder Sherry Radmore. “We are excited that CPAAI offers us this window of opportunity to exchange information among experts in specific fields that will enhance our ability to give our clients the exceptional service they deserve.”

Team from CPA Associates International Brings Good News and Good Ideas to ELLS Staff



Ray Strothman and Jim Flynn with Shareholder group. (Greg Lewis was unable to attend in person, but he was definitely there in spirit!)

Ray Strothman, Chairman of the Board of Directors of CPAAI, and Jim Flynn, President of CPAAI, visited ELLS on January 23rd to introduce our Staff to the many services that are now available to them through ELLS membership in the CPAAI. They demonstrated how to use their website and how to become involved in discussion groups, niche market updates, seminars, and telephone roundtables. The entire ELLS staff is looking forward to working with CPAAI.



ELLS staff members listen attentively to the presentation.

Greg Lewis Cautions About The Lure of Independent Contractors



As a way to trim variable costs, some business owners are opting to replace workers who leave with independent contractors. At first glance, there seem to be persuasive benefits to hiring independent contractors rather than employees. You don't have to pay for benefits such as health insurance and won't owe the government payroll taxes for them. When there's less work you don't have to use them. This may sound like a good solution to reducing payroll expenses, but before you leap, take a second look. The laws related to classifying someone as an independent contractor are numerous and extremely complex. Federal and state agencies can, and do, assess back taxes, penalties, and interest on employers who have misclassified workers.

Besides the legal ramifications of hiring independent contractors, your management style might not be conducive to the different relationship: if you tend to micro-manage projects, you will not be happy over your lack of control. Independent contractors may have more to do than just your project and may have less ability to meet deadlines. Rates may be higher than you would pay a regular employee because they have expenses of self-employment taxes, insurance, and other office expenses that will be part of their fee charged you.

We recommend you hire employees exclusively for your "core competencies," where you need control to get specific results. If you're in manufacturing, hire employees for your production line; if you're a general contractor, hire employees as your Project Managers, etc. There are, however, auxiliary services where independent contractors might fit in your business. These areas can include such functions as data entry, mailing services, bookkeeping, and building maintenance for example. Before you engage an independent contractor, call your ELLS advisor to assist you in determining if they meet the requirements to be classified as one. This is one time a mistake could be very costly!

Bits and Pieces

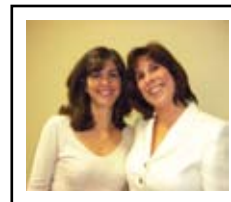
Business Mileage Readjusts for 2009

Beginning on Jan. 1, 2009, the standard mileage rates for miles driven for tax purposes are:

- 55 cents per mile for business miles
- 24 cents per mile for medical or moving purposes
- 14 cents per mile for charitable organizations

The new rates for business, medical and moving purposes are slightly lower than rates for the second half of 2008 that were raised in response to a spike in gasoline prices. The business mileage rate was 50.5 cents in the first half of 2008 and 58.5 cents in the second half. The medical and moving rate was 19 cents in the first half and 27 cents in the second half. The rate for charitable purposes is unchanged from 2008.

Maria Arriola Addresses Realtors



On January 22nd **Maria Arriola** presented her "Tax Update for 2009" to over 40 residential and commercial realtors at the weekly meeting of the Orange County Association of Realtors at their Laguna Hills headquarters. Maria is pictured with Debbie Bannister of Exchange Resources, who invited Maria to speak to the group.

One Extra Payroll in 2009

Businesses that pay wages every two weeks typically have 26 payrolls a year. But, every 11th year, they pay 27 payrolls and 2009 is one of them. Good news for employees, bad news for employers who may already be in a cash crunch this year. The effect is, employees at those companies get 3.85% more in their yearly pay total even if they don't get a "formal" raise.

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Worker, Retiree, and Employer Recovery Act of 2008 (“The Pension Act”) passed in December 2008 contains important provisions . . .

... suspends the required minimum distribution (RMD) from retirement accounts in 2009. This waiver is available to everyone regardless of their total retirement account balances and applies to all defined contribution plans including 401(k), 403(b), 457(b), and IRA accounts. This provision also applies to Required Beneficiary Distributions (RBD) from qualified plan accounts of IRAs during 2009. The next RMD and RBD will be for calendar year 2010.

... includes changes that require qualified retirement plans to offer nonspouse beneficiaries the opportunity to rollover an inherited plan account balance to an IRA set up to receive the rollover on the nonspouse beneficiary's behalf. This rule will become mandatory effective for plan years beginning after 2009. Until then, under the Pension Act, qualified plans may, but are not required to, offer nonspouse beneficiaries this option.

... allows Pension Plans to “smooth out” their unexpected asset losses over 24 months instead of having to apply the mathematical average that the Treasury requires. The new provisions allow the “phase-in” rule to allow plans which miss their phase-in funding target in 2009 to retain the same target and not have to jump to the 100% target.

ELLS & Guests Attend CalCPA 2009 Economic Forecast Breakfast on January 21st



The forecast isn't the brightest for Orange County, at least for the first half of 2009, but the mood was generally upbeat among those listening to guest speaker Dr. Esmael Adibi of Chapman University as he delivered the news. ELLS Clients and Staff above, include: **Ali Mian**, ELLS Staff, ELLS Shareholder **Greg Lewis**, **Bob Torrez** from Champ Steel, **Mike O'Connor** from Shamrock Supply Company, **Charles Denny**, Medical Practice Consultant, **Craig Furniss** from Seventh Street Development Inc., ELLS Shareholder **Sherry Radmore**, and **Larry Rolapp** from Fieldman Rolapp Financial Services. Also attending was **Lucinda Herdman** of Metropolitan Financial Group.

—Around The Calculator—

Lots of anniversaries! Marketing Director **Jill Zozula** leads off celebrating 5 years on January 5th, followed by CPA **Joan Irish** on the 16th with 6 years. **Ed Lieber** has been crunching numbers around ELLS for 31 years as of January 24th. February starts off with **Azi Farooquee**, I.T. Manager ringing up his 8th on the 5th. Admin Staff member **Erin Painter** has been with us 1 year as of February 11th. **Tricia Maas**, CPA, is our special 4-year Valentine on the 14th. Accounting & Auditing Supervisor **Chris Vasquez** chalks up his 7th year on the 22nd. **Kelley Bendt**, Tax Secretary & Admin Supervisor celebrates her 9th on the 28th. Congratulations to all!



Welcome to **Jeff Jordan**, our new Marketing Assistant. Jeff moved here from Texas, where he worked in professional services for a law firm. He enjoys music and volunteering at his church.



What's A Winery Tour Without A Glass of Wine?

ELLS clients David & Lynda Nath invited **Ed Lieber** and his wife, Vicki, to join them at their lovely home in Paso Robles and go on a wine tasting tour during their visit in January. In photo above. Vicki, David, Lynda and **Ed** take time out for a brief photo shoot during a serious tasting session.

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Great Tidings of Joy!

The Holiday Party was lots of fun again this year. PJ's Abbey In Orange has become our favorite setting for this festive occasion.



Irene Freeman, Doris Zhu and Lee Weir are obviously enjoying themselves.

Kelley Bendt unwrapped this years Garage Sale treasure, discovered by **Ron Stumpf**. Somewhere out there, there is an actual ELLS family!



Chris Stumpf isn't sure if he's snagged a good thing or an item of questionable beauty. Either way, he ended up with it!



Joanne Tang shows off the Holiday Door Mat that she happily added to her Holiday decor.

A great time was had by everyone!