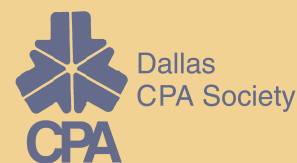


Ask a CPA



PRESENTED BY THE DALLAS CPA SOCIETY



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WHAT'S NEXT FOR SOX

Q: After initial Sarbanes Oxley compliance, then what?

A: **Ongoing Monitoring** – Each quarter, management for publicly traded companies must provide certification to the internal controls within their organizations. These organizations must certify that their company's internal controls provide reliable financial control and ensure that any changes in the control system are reported. Management must have continuous reporting tools to monitor controls within their organization.

Process Improvement – As a result of initial SOX 404 efforts many companies learned their systems and processes are weak and ineffectual. In addition to designing effective controls that meet the Act, companies are using SOX 404 to improve other ineffective systems and processes.

Non-Public Companies – Many private and non-profit companies are voluntarily complying with SOX 404. For private companies with debt or that are heavily insured, it is being mandated by the debt providers and insurers. These companies are finding limited compliance with Sarbanes Oxley allows them to better manage their business and satisfy important outside constituents.



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LONG-TERM CARE INSURANCE

Q: How can offering long-term insurance to my employees benefit my company?

A: Qualified long-term care insurance provides tax-free benefits and offers targeted protection against the high cost of extended health care. LTC insurance is a valuable fringe benefit to employees and can provide a tax deduction for certain business owners. The deductible amount is limited, based on age, and adjusted annually for inflation. Any type of business (C corporation, S corporation, LLC, partnership, or sole proprietorship) can deduct the cost of qualified LTC premiums for a non-owner employee, the employee's spouse and dependents. There is no limit on the amount of this deduction. Business owners can cover selected employees only (for example, just the owner and spouse). The deduction is allowed even if coverage is offered only to a select group of key employees. The amount of the premium is not treated as taxable income to the employee. Business owners should consult a qualified tax professional to determine deductibility of their LTC premiums.



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BENEFITS & DISADVANTAGES OF NON-PROFITS

Q: I am starting a business venture that will benefit the community. Do you advise operating as a non-profit organization?

A: There are advantages and disadvantages to consider when making that decision. Included are the following:

Advantages:

- Non-profits that qualify may be exempt from federal income tax, franchise tax and sales tax.
- If the organization is charitable in nature, it may be eligible to obtain deductible charitable contributions as well as grants from foundations and governmental agencies.
- There may be favorable employee benefits and reduced postal rates.

Disadvantages:

- Exempt status usually involves extensive annual reporting requirements, including an annual information return and a tax return for each year there is unrelated business income.
- Information returns are open to public inspection.



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FOREIGN BANK ACCOUNTS & TAXES

Q: I have a foreign bank account which has never been disclosed on my tax return: What should I do?

A: Initially, focus on the next tax return due to the IRS. This return must be correct. Schedule B of the Form 1040 includes a question which must be answered affirmatively if you control a foreign bank account with a value exceeding \$10,000 anytime during the year. Similar questions appear on corporate and partnership tax returns. Additionally, a Report of Foreign Bank and Financial Accounts, T.D. F 90-22.1 (FBAR) must be filed by June 30th. The American Jobs Creation Act of 2004 significantly increases penalties for failing to file a FBAR.

The course of action to take with a foreign bank account not disclosed on prior tax returns is more challenging. To analyze your alternatives, you should contact a tax attorney experienced in these matters. One option for a previously filed tax return with undisclosed or incorrect items is to participate in the IRS Voluntary Disclosure Program with the IRS Criminal Investigation Division.

* This firm is not a CPA firm.

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