

Catch-Up Contributions Provide Increased Savings Opportunity

By Bob Buss

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A participant in plans of two different employers may designate deferrals in excess of the \$11,000 limit (as indexed) as catch-up contributions even though the limit is not exceeded in either plan. Catch-up contributions are also available under 403(b) plans, simplified employee pension plans with salary reductions, SIMPLE IRA's or 401(k) plans, and state or government eligible 457 plans.

Implications

Employers should consider whether any administrative system changes are required. Plans that don't intend to match catch-up contributions will need to carefully consider plan provisions and administrative systems.

For non-calendar-year plans, the group of employees who are eligible to make catch-up contributions will change midyear. Also, to the extent that amounts were treated as catch-up contributions at the end of the plan year as a result of ADP or 415 test results, that amount will reduce available catch-up contributions for the remainder of the employee's tax year.

Amendments to provide for catch-up contributions must be adopted by the last day of the 2002 plan year.

If you would like to receive the Newsletter electronically, please e-mail Deanna Blaise at dblaise@barrcpa.com or Dawnee Harbach at dharbach@barrcpa.com. In the subject line type in "get Financial Notes electronically" and we will e-mail you Financial Notes.

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Mark Your Calendar...

September 18, 2002
Client Appreciation Party
at the Crystal Palace



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Stimulus Package Now Law... Retroactive Law

The President signed the Job Creation and Worker Assistance Act of 2002 on Saturday, March 9, 2002. The new law has several provisions that affect 2001 tax returns.

30% Additional Depreciation (Effective for qualifying property placed in service after September 10, 2001 and before September 11, 2004)

Basics. The law provides for a first-year depreciation deduction equal to 30% of the cost of qualified property. This additional depreciation is allowed for both regular tax and AMT purposes. You may elect not to take the deduction if you wish, although we don't yet know how you go about doing that. The IRS is working feverishly to get the forms updated.

Qualifying Property. In order to qualify for the new deduction, the property must be: 1) Subject to the MACRS depreciation rules, 2) Have an applicable recovery period of 20 years or less, or be: a) computer software other than computer software covered by section 197, or b) qualified leasehold improvements; and 3) The original use of the property must commence with you after September 10, 2001 (meaning new or refurbished property).

Qualified leasehold improvement property is any improvement to an interior portion of a

building that is nonresidential real property. Other rules apply.

Liberty Zone Property

There are special rules applicable to property placed in service in a zone defined around the destroyed property in NYC. There are also credits available for employing people in the Liberty Zone. Call if you have any questions.

Additional Auto Depreciation (Effective for autos first placed in service (new) after September 10, 2001)

The limitation on the amount of depreciation deductions allowed for autos is increased by \$4,600 for the first year that depreciation is allowed.

Five-Year NOL Carryback (Effective for NOLs generated in tax years ending after 2000 and before 2002)

The law also allows an NOL deduction attributable to NOL carrybacks arising in taxable years ending in 2001 and 2002, as well as NOL carryforwards to these taxable years, to offset 100 percent of your AMT.

Correction of SEP Contribution Limitation (Effective for years beginning after 2001).

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FINANCIAL NOTES

Notice of Privacy Policy

To better serve you, Brown Armstrong has a strong commitment to protecting your privacy. As long as you are a client, we are required by law to send you an annual "Notice of Privacy Policy" that describes our policies and procedures that protect your privacy.

Federal and California privacy laws require tax preparers and others to destroy financial records of their clients. These laws require that businesses must take all reasonable steps to destroy, or arrange for the destruction of, all customer records no longer being retained by the business that contain personal information on customers. The destruction must be made by (1) shredding, (2) erasing, or (3) otherwise modifying the personal information in those records to make it unreadable or undecipherable through any means.

We want to ensure all of our clients that we have taken all the steps necessary to comply with these laws and have a secured shredding policy in our firm. Our service is through **Instashred Security Services, www.instashred.com**. Due to the seriousness of these laws, any violation of this policy can result in disciplinary action, including discharge.

All confidential information that might identify, relate to, describe, or is capable of being associated with a particular individual, company or agency in any form, such as drafts, workpapers, notes, telephone messages with unlisted numbers and/or financial and tax information, etc., is placed in securely locked recycle bins. The bins are then emptied into security trucks and transported to a lock-down facility where they are destroyed by hammermill shredding (pulverized).

We do not disclose, and do not wish to reserve the right to disclose, nonpublic personal information about our clients or former clients to affiliates or non-affiliated third parties.

Please call our office if you have questions about these laws or would like more information on how you can protect the confidential information of your clients.

Stimulus Package Now Law...Retroactive Law

(Continued from page 1)

Back in 2001 the law increased some pension contribution limits from 15% to 25%. SEPs (Simplified Employee Pension Plans) were left out. While this was seen as an oversight, it was difficult to get anyone to go on the record saying it was and it would be corrected. It was, and it has been corrected. SEPs are now subject to the same 25% limits.

There are many other "technical corrections" applicable to earlier errors and oversights as well as substantive changes. If you have any questions please contact your tax advisor.

Staff News

Just promoted...



Chris Thornburgh, CPA, promoted to Shareholder-in-Training.



Thomas Young, CPA, promoted to Manager, Audit Division.



Melinda McDaniels, CPA, promoted to Manager, Tax Division.



Amanda Wilson, CPA, promoted to Manager, Audit and Tax Divisions.



Bryan Lewis, CPA, promoted to Senior Tax Accountant.



Deborah Rapp, CPA, promoted to Senior Tax Accountant.



Julie Auvil, promoted to Senior Audit Accountant.



Connie Perez, promoted to Senior Audit Accountant.

Welcome!



Shawn Canady joins Brown Armstrong as a staff accountant bringing experience as an internal auditor from the oil & gas industry. He graduated from California State University, Fresno with a Bachelors Degree in Accounting



Robert J. Clausen joins the firm as a staff accountant. He graduated cum laude from Hawaii Pacific University with a Bachelors Degree in Accounting.



Jaclyn Hall joins the firm as a staff accountant. She graduated from California Polytechnic State University, San Luis Obispo with a Bachelors Degree in Accounting.



Stephanie Garcia joins the Bookkeeping Department within the firm. She brings a wealth of experience from the small business industry.



John Sanders, III comes aboard as a staff accountant. He graduated from the University of Phoenix with a Bachelors Degree in Accounting. His background is in small business and the oil & gas industry.



Tamara Acar joins the Administration Department of the firm. Her background is in software training.

Congratulations!

Staff Accountant **Clint Baird** and his wife welcomed the birth of their son, **Hunter Lewis Baird**, 7 lbs. 13 oz. born May 1st.

Staff Accountant **Leane Melo** and her husband welcomed the birth of their son, **Brock Melo**, 7 lbs. 7 oz. born May 23rd.