

# ClientTell

Blackburn, Childers, and Steagall, PLC  
Certified Public Accountants and Consultants

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Blackburn, Childers & Steagall, PLC Quarterly Newsletter

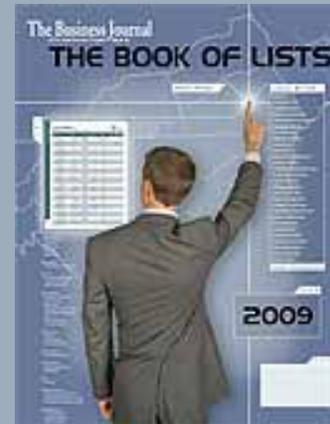
## UNDER CONSTRUCTION

*New office to open in Greeneville this fall*



BCS is excited about the construction of our new Greeneville office located at 550 Tusculum Blvd. The new building will include several offices, a large conference room, a spacious lobby area and plenty of room for expansion. Greeneville office members Dennis Rasnake, Jenny Bowman and Lindsey Rollins are anxious to move into the new facility this fall.

## BCS #1 Accounting Firm in the Region



in  
The  
Business  
Journal's  
2009  
Book of  
Lists

Blackburn, Childers & Steagall, PLC is pleased to be recognized as the #1 Accounting Firm in the region in the 2009 Book of Lists published by The Business Journal of Tri-Cities Tennessee/Virginia. BCS is the top ranked firm under the "Accountants" listing in the Business & Finance category.

Listings are based on the number of Certified Public Accountants in each firm located within our region. BCS was first with 30 CPA's. The second and third place firms reported 21 and 15 CPA's, respectively.

## Inside this Issue

- 2 Adjusting Estimated Tax Payments
- 3 Tennessee FONCE Exemption Modifications
- 4 American Recovery and Reinvestment Act
- 5 Rolling Work Place Retirement to IRA
- 6 Employee Benefits and Recession
- 7 Windows 7 - Get it for Cheap or Free

## Greeneville Building Site Dedication



*Pictured from left to right: Travis McMurray, Tommy Greer, Chuck Huffman, Dennis Rasnake, Jenny Bowman, Kevin Peters, Chad Kisner, and builder John Walker.*



## Estimated Tax Payments:

*If business is suddenly slower should you adjust your estimated tax payments?*

*By Tommy Greer*

The current economic slowdown has affected businesses in all industries, from service to retail, causing many companies to re-evaluate their financial and tax situation. If business is slower than normal, you may want to consider adjusting your estimated tax payments. If you've made estimated tax payments this year, a change in your business's income, deductions, credits, and exemptions may make it necessary to refigure your estimated tax payments for the remainder of the year. To avoid either a penalty from the IRS or overpaying the IRS interest-free, consider increasing or decreasing the amount of your remaining estimated tax payments.

### Adjusting estimated tax payments

If you expect an uneven income stream for the remainder of 2009, or changes in the amount of deductions, credits, exemptions, and other adjustments, your required estimated tax payments may not necessarily be the same for each remaining period. The need for, and the extent of, adjustments to your estimated tax payments should be assessed at the end of each installment payment period. You can adjust your remaining quarterly payments accordingly.

**If you've made estimated tax payments this year, a change in your business's income, deductions, credits, and exemptions may make it necessary to refigure your estimated tax payments for the remainder of the year.**

### Decreased estimated tax payment for certain small businesses

For certain small businesses, your required estimated tax payment for the year is the lesser of 90% of your 2008 tax or 90% of your estimated 2009 tax. This rule applies to individuals who satisfy all of the following: Your business had an average of fewer than 500 employees in 2008, more than 50% of your gross income from 2008 was income from your small business, and your AGI for 2008 was less than \$500,000 (\$250,000 if married filing separate returns in 2009).

### Refiguring Tax Payments Due

To change or amend your estimated tax payments, refigure your total estimated tax payments due. Then, figure the payment due for each remaining payment

period based on payments already made. However, be careful! If an estimated tax payment for a previous period is less than one-fourth of your amended estimated tax, you may be subject to a penalty when you file your return.

The rules surrounding estimated tax payments are complicated. If you would like further information, please contact our office.

*You can find this and many other valuable tax articles, briefings and alerts on our website: [www.BCScpa.com](http://www.BCScpa.com).*

## BCS Leadership Class Graduates May 2009

*by Debbie Maney*



*Pictured left to right: Front Row-Debbie Maney, Dennis Rasnake, Tom Hornsby, Kevin Peters. Middle Row-Siena Rambo, Cathy Peters, Sheila Emory, McLissa Crockett, Rachel Squibb, Chad Kisner. Back Row-Andy Hatfield, Jeff Moore, James Motte, Chuck Randolph, Chuck Huffman.*

In August, 2008, I joined a group of several BCS employees to embark on a year-long journey in the Leadership Development process. BCS realizes the importance of growing and developing its employees into future leaders. As a part of this realization, our group made a commitment to participate in an 8 hour session each month. The sessions were led by Tom Hornsby, founder of Vision Works, LLC. As part of the program, we read and discussed several management books, delving into different management styles and philosophies.

Our class discussed various leadership styles such as: Sidestepping, Yo-yoing, Empowering, Telling and Liking. We learned all managers probably have used or will use each of the above styles at one point or another in their role as manager. The importance of listening and not just trying to be heard was also learned. Probably one of the more valuable tools discussed in the sessions was conflict management. We were presented a model regarding conflict management and how we can use this model in daily situations to resolve issues (big or small) which may arise in the workplace.

Tom Hornsby has a motto for all of his sessions: BE A "HOG"! This acronym stands for Help Others Grow. Helping others grow is what this Leadership Development Class has done for us. We have all grown and learned various ideas which we can now implement in our daily management activities. Now it is our job to fulfill that motto at BCS on a daily basis. For, if we are true leaders, we have a vested interest in growing and developing others around us at all times. If those around us grow, we become better personally, and the firm as a whole becomes better and more efficient.



# Modifications made to the Tennessee FONCE Exemption

By Jeff Moore

Greetings from the BCS tax department! For those of you who are not aware, the state of Tennessee allows an exemption from business franchise and excise taxes to certain family-owned non corporate entities, or FONCEs. Recently, the Tennessee General Assembly made some modifications to this legislation, a summary of which you will find in this article.

**To qualify for the FONCE exemption**, an entity must first be organized in a limited liability business form, such as a limited liability company or a limited partnership, and must timely file an application for exemption. Subsequently, two other criteria must be met in order to qualify for the exemption. First, at least 95% of the entity's ownership must be held by members of a defined family group. Secondly, substantially all (66.67%) income of the entity must be in the form of either passive investment income (royalties, rents, dividends, interest, etc.) or income from farming.

Under the new rules, which became effective July 1, 2009, the term "rent" no longer includes rental income derived from industrial and commercial property, farm property used for recreational purposes, or residential property with more than four units. Otherwise qualifying entities which derive more than one third of their income from these types of property will become subject to the Tennessee franchise and excise taxes for the current year, unless they qualify under another exemption.

For such an entity, income earned before and after July 1 must be considered to determine the entity's eligibility for the FONCE exemption in relation to the income requirement. One way an entity losing its exemption as a result of this change may retain its exempt status is to elect to become an "obligated member entity." To do this, each member of the entity must agree to file an election to waive its limited liability protection no later than October 1, 2009. Entities receiving substantially all of their income from residential rental property will continue to qualify for the FONCE exemption.

We are currently working with many of you to review your specific situation in regard to this new legislation. We also suggest that an attorney be involved for those interested in changing the legal structure of their entity to remain exempt from the franchise and excise tax.

Please contact us with how you plan to approach the change in law or for help in deciding how to handle the change. Portions of this legislation have not been completely clarified by the State and there are some specific definitions and rules that require interpretation.



The BCS team achieved Bronze Club Level status by raising over \$2,500 this year for the American Cancer Society. Members of the

firm raised funds by purchasing "Fight Like a Girl" T-shirts and sweatshirts from the local ACS office. We also held a one day fund-raising



blowout in the Johnson City office. Activities included: BINGO, guess the number of candies in the jar for a prize, a home cooked breakfast provided by employees and family members, bake sale & dessert silent auction -including our now famous "dessert of the month", and the opportunity to wear jeans. In addition, we sold Luminary bags to honor loved ones affected by cancer. Special thanks to fund-raising committee members Cheryl King and Sabra Houston.

BCS once again sponsored Bank Night for Relay teams at our JC office. Rebecca Smith and Brittany Cassell, who serve as co-chairs of the accounting committee for the Washington County ACS, were joined by Rachel Squibb, Jacqueline Ayers, Noel

Hebert, and Patrick Cross to collect and count money raised by all Relay teams. For more information on Relay for Life, visit the ACS sponsored website: [www.relayforlife.org](http://www.relayforlife.org)



## Should You Roll Your Work Place Retirement Account Into An Individual Retirement Account (IRA)?

By Myra O'Dell

When you retire or change employers, rolling over your employer sponsored retirement plan into an IRA may be the way to go. An IRA is a personal savings plan that provides income tax advantages for individuals saving for retirement purposes. It is similar to your work place retirement account in that you can typically take a deduction on your income tax return in the year of contribution and earnings grow tax free until distributions are made. Listed below are several reasons why you may want to roll your 401(k), 403(b), or 457(b) into an IRA.

**Maintain the tax-deferred status of your savings.** In contrast, if you cash out your savings you may have to include the amount that was not previously taxed in your taxable income for the year and pay tax on any future earnings. Furthermore, you could also owe a 10% tax penalty if you are under the age of 59½ when you take the distribution.

**You can convert to a Roth IRA.** If your modified adjusted gross income is under \$100,000 in 2009, you may be able to convert your savings to a Roth IRA. Unlike a Traditional IRA, a Roth IRA does not allow you to take a deduction on your income taxes in the year of contribution. However, qualified distributions, which may include earnings, are taken tax free. In 2010, the income restriction is scheduled to end and will not apply.

**More investment options.** It is common for work place retirement plans to limit your investment choices to around 20 investments. However, by rolling your savings into an IRA, you will generally have access to a much larger assortment of investments.

**Convenience of consolidation.** If you have more than one retirement account from previous employers, you can roll all of your accounts into one IRA in order to simplify things. Condensing to one account will make monitoring your investments easier as well as cut down on the amount of statements you receive each month.

If you have an employer sponsored retirement plan from a former employer, you should contact your financial adviser to discuss your options and determine whether rolling your savings into an IRA is the best option for you.

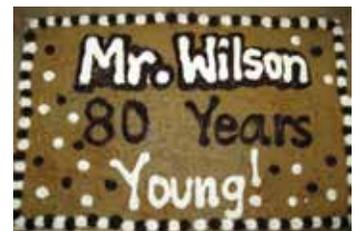
### "The Lunch Bunch"



## Jim Wilson's 80<sup>th</sup> Birthday Surprise Party

*BCS and friends help a distinguished colleague celebrate his special day*

On June 18, 2009 Jim Wilson attended his weekly estate luncheon unsuspecting of the mischief at hand. After a regular meeting and obligatory boxed lunch, Mr. Wilson was surprised by the entrance of several BCS employees bearing balloons, a cookie cake and gifts in honor of his 80<sup>th</sup> birthday.



*Pictured above from left to right: Buddy Scott, Van McClellan, Wade Farmer, Fred Brandt, Jeff Blackburn, Jim Wilson, Charles Steagall, James Holmes*

## BCS Sponsors Blood Drive

On July 16, 2009 the Johnson City office hosted a Blood Drive on behalf of the American Red Cross for Sunset Professional Park. 27 people volunteered to be donors including



BCS employees, family members and other members of the professional park. At 7:30 am the Blood Mobile arrived in the back parking lot of the BCS building, and by the end of the day we had 100% participation - meaning 27 people tried and successfully donated blood. Everyone that donated received a T-shirt and a

chance to win a \$1,000 gas card from the American Red Cross. Thanks to everyone that visited the Blood Mobile this year!

*Pictured from left to right: Sherri Dugger, Paul Adams, Don Wallingford, Melissa Van Huss, Lorrie Hale, MeLissa Crockett, Erica McMurray.*



## American Recovery and Investment Act

By Rachel Squibb

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA), also referred to as the Stimulus Plan. The objectives of ARRA were stated as:

**To preserve and create jobs and promote economic recovery.**

**To assist those most impacted by the recession.**

**To provide investments needed to increase economic efficiency by spurring technological advances in science and health.**

**To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.**

**To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.**

Before applying or accepting ARRA grants, each government should be aware that attached to the ARRA money is a set of stern accounting, internal control and reporting requirements that must be followed to comply. If the requirements are not complied with,

the government receiving the grant will be required to repay the ARRA money they received.

To ensure accountability, transparency and compliance with the ARRA for Tennessee, the Governor established the Office of Tennessee Recovery Act Management (TRAM). With coordination from various state agencies, TRAM has issued 11 Directives for State and Local agencies receiving ARRA grants that are required to be submitted in addition to the federal requirements set forth in the Act. For a complete list of the TRAM directives see the Tennessee Comptroller's website at <http://www.tn.gov/comptroller>.

ARRA will have financial impact on many local governments; however, many of the grants offered are competitive and involve an application process. Information about available grants is accessible through the State of Tennessee Recovery Website at <https://www.tnrecovery.gov>. Certain grants will be offered directly from the federal government. More information can be found at the federal government's recovery website at <https://www.recovery.gov>.

*Source: State of TN, Comptroller of the Treasury, Department of Audit, Memorandum on American Recovery and Reinvestment Act, April 30, 2009.*

## BCS Audit Staff Gets Cooking...



for the

### Ronald McDonald House

Siena Rambo, who serves on the Ronald McDonald House board, asked the BCS audit department to prepare a meal for families staying at the House. She originally planned to provide one meal, but she got such a great response that she was able to provide two meals!

The first group consisted of Rachel Wallen, Rachel Squibb, Jacqueline Ayers, Brittany Cassell, Siena Rambo, Esther Schultz & Kevin Peters. They purchased the food, prepared it at the House and helped clean up. They fried chicken, made mashed potatoes (not instant, either!), green beans, rolls, salad and cookies for dessert. Kevin Peters proudly reported, "The dinner looked and smelled great and we only burnt one piece of chicken."

The second group fixed a Saturday brunch. Rebecca Smith, Noel Hebert, Melissa Van Huss, Kathy Owens and Siena Rambo were the 'chefs extraordinaire' this time around. They pre-prepared the brunch dishes and delivered them to the House.

Everyone enjoyed it and they plan to do it again. For more information on volunteer opportunities - including meal preparation - at the Ronald McDonald house, please visit their website: [www.rmhsa.org/volunteers](http://www.rmhsa.org/volunteers)





# Employee Benefits and Recession

by Alice Williams

Employee benefits typically refer to retirement plans, health insurance, life insurance, disability insurance, vacation, ESOPs, etc. These benefits are increasingly expensive for businesses to provide to employees, but during our current recessionary times, the costs are becoming an even bigger hardship for employers. In fact, many employers are considering or realizing cutbacks in their employee benefits. These kinds of reductions or even the prospect of such can adversely affect employee motivation, productivity and future retention.

**So what can employers do to maintain a quality staff and still meet their budget? First things first – take a good look at your current benefit options, and filter out the “needs” verses the “wants”.** A sensible approach to the basic benefits package may be an advantageous option instead of slashing the entire package. Try to make the most of your current benefits by ensuring that your employees know about them and how to make use of them. Employers can gain value from benefits without spending a lot of cash. By stepping back to observe what their employees value and what resources already exist, managers can put together

a program that is appropriate for the current economy and also in line with the company’s direction.

If you do make cutbacks, good communication will be your redeeming quality during this time. Uncertainty can hinder workforce productivity and is a catalyst for stress. Employers need to consider the unique personalities of each employee, and open the lines of communication early to avoid many of the problems associated with rumors and false claims. This news should be honest, straightforward and with a degree of optimism. While your staff may not be ecstatic about modifications, they will appreciate straight talk, humane action and strong leadership.

I imagine that most employers can attest their biggest asset is their workforce. And in these trying times, it becomes much more important to retain your quality staff and attempt to keep them at ease, even when evaluating benefit cuts. Maintaining loyalty during hard times ensures retaining a quality staff in the future.

*Next time, Let's Talk retirement plan options.....*



BCS Chats with...  
**Sherri Dugger**

Sherri is a staff accountant in the Small Business Service Department. She provides full service bookkeeping to various types of small businesses. These services include payroll calculation and check writing, accounts payable aging and check writing, bank reconciliations, payroll taxes, sales taxes, and compilation of financial statements. She also assists with preparation of corporate and partnership income tax returns. Sherri is a member of The American Institute of Certified Professional Bookkeepers.

Sherri Dugger graduated from Northeast State Community College in August of 1989 with an Associates Degree in Business Management with an Accounting concentration. She began her career in accounting with Pugh & Company, P.C., in 1989 and continued with CPA Associates until its merger with BCS in December of 2004. She currently attends Milligan College pursuing a Bachelors Degree in Business Administration.

Sherri was born and raised in Johnson City and now resides in Gray, Tennessee. She enjoys NASCAR and spending time with her family, friends, and pets.



## Carter County Leadership Tomorrow 2008-09

**Bobby Potter**, a member of our Audit Department, graduated from the 2008-2009 Carter County Leadership Tomorrow Class in May of this year. The mission of this program is to identify, encourage and develop individuals to have a sincere appreciation for Elizabethton and Carter County. Participants are individuals seeking to be a positive influence for the future of both Carter County and Elizabethton.

Pictured left to right: Front Row-Felicia Younce, Angie Lyons, Dr. Jeri Beth Lyons, Sen. Rusty Crowe, Gov Bredesen, Rep Kent Williams, Kim Eggers, Kathy Pierce; Middle row-Regina Wilder, Brooke Mullins, Charles Dugger, Teresa Murray, Joyce Estep; Back Row-Leland Dauksch, **Bobby Potter**, Margaret Pate, Ingrid Deloach

The group met once a month to learn about different aspects of the community and all that is involved. Guest speakers were often invited to share about a specific interest relating to the agenda. One month, the class took a trip to Nashville to attend “State Government Day,” hosted by Senator Rusty Crowe and Representative Kent Williams, in which representatives from various state departments talked with the class about the future of East Tennessee during this current economic time.



## HOW TO GET WINDOWS 7 FOR CHEAP OR FREE (LEGALLY)

by Don Wallingford

I'm sure that at some point this year you have heard something about Microsoft's most anticipated software, Windows 7. On October 22<sup>nd</sup> the successor to Windows Vista will become available in stores and online for purchase either pre-installed on a new desktop / laptop, or retail installation DVD. If you are in the market for a new computer then I've got some great news for you as to how you can get Windows 7 for cheap or free (and completely legal).

Microsoft Vista has had a less than flawless reputation in the general public's eye since its release in December of

2006. Even though I feel like Vista is a solid operating system, the majority of the public might disagree with me. Because of this, Microsoft is trying to offer several ways to entice users to move to Windows 7 as soon as possible.

The pricing for Windows 7 varies depending on if you purchase an upgrade copy (meaning your computer already has XP or Vista installed) or a full version (you want to install Windows from scratch) from \$119 to \$319. This can be very expensive if you own multiple computers that you would like to upgrade. With this in mind Microsoft is offering the Windows 7 family pack. The family pack allows you to upgrade 3 computers to

Windows 7 Home Premium for \$149.99 instead of \$359 for 3 individual copies.

Another economical upgrade option that Microsoft is using to help users move to Windows 7 is the ability to purchase a computer with Vista now, and receive a free copy of Windows 7 upon its release date in October. Microsoft has been working with many computer manufacturers (Dell, HP, Acer, Sony, Gateway, etc...) to offer this free upgrade option. To receive the upgrade, all you have to do is purchase a qualifying computer with Vista between June 26, 2009 and December 31, 2009. Then you will need to contact the maker of your computer (Dell, HP, etc...) to receive your free copy of Windows 7.

### Personal Lines



**Brandy Stykes**, a member of our Audit and Tax departments, passed the CPA exam in August. Brandy is a graduate of ETSU with a Masters of Accountancy degree. She joined BCS in 2006 as an intern and became a full-time employee in 2008.



**Jake Hutchison** started working with the Tax Department in Johnson City full time during June of 2009. Jake received his Bachelor's Degree in Accounting in December 2007 from ETSU and is currently working on obtaining his CPA license.



**Landon Jones** joined the Tax Department in Kingsport full time on January 1, 2009. Landon graduated in 2004 with his Bachelor of Business Administration degree in Accounting & Finance and his Master of Accountancy degree in 2007 from ETSU. He came to BCS in 2007 as an intern with prior accounting experience.



Congratulations to Audit Department member, **Tara Bradley**, and Ryan Nelson. They are the proud parents of a beautiful baby boy, Ethan Nelson, born June 6, 2009. Ethan weighed 6 lbs. and 6 oz. and measured 19 inches long.



**Cory Cole** joined the Audit Department as a full time employee on July 13<sup>th</sup>. Cory graduated in May 2009 with his Bachelor of Business Administration degree in Accounting from ETSU, and will begin the Master of Accountancy degree program at ETSU this fall. Cory was a BCS intern until his hire as a full time staff member.

**Eric Nauman** is serving as an intern for the Audit Department this fall. Eric graduated in May of 2009 with a degree in accounting from Milligan College. He is currently pursuing a Master of Accountancy degree at ETSU.

**Preston McMurray** will join the Audit Department as an intern this fall. Preston is currently attending ETSU. He plans to follow in his father's and grandmother's (BCS Partners Travis & Karen McMurray) footsteps and obtain his degree in Accounting.

**Andy Clark** is serving as an intern for the Audit Department this fall. Andy is currently attending ETSU and plans to graduate in 2010 with BBA degrees in Accounting and Finance.

*Date Correction from last newsletter: Kay Pickering graduated from Milligan College as of February 2009 with a Bachelor's Degree in Business Administration.*



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"I have always found the folk at BCS to be up-to-date and knowledgeable. When I first started using BCS for my personal taxes, they found that in prior years mistakes had been made in my tax returns that had cost me more taxes. They filed amended returns for the previous three years and I received significant refunds. My BCS tax person has always helped resolve any questions or issues with the IRS. I count on BCS and I have confidence that my returns are accurate."

- Don Jeanes, President of Milligan College

Visit us at [www.bcscpa.com](http://www.bcscpa.com) to view the many ways we can serve you through our offices in Johnson City, Kingsport and Greeneville.

Don Jeanes, President of Milligan College