

## *No Autographs....please*

Blackburn, Childers and Steagall, PLC would like to congratulate Jim Wilson who was recently awarded The Distinguished Accredited Estate Planner (DAEP) designation. The National Association of Estate Planning Council (NAEPC) considers this award to be the highest professional honor and recognizes it as the pinnacle of achievement and accomplishment within the field of estate planning. This honor is an especially significant milestone since Mr. Wilson is one of only 26 recipients to receive this prestigious award. The award is designed to recognize significant and outstanding lifetime achievements and contributions to the practice and profession of estate planning within the five professional estate planning disciplines of attorney, accountant (CPA), life insurance professional (CLU), trust officer and financial planner (CFP or ChFC).

Previously, the Personal Financial Planning (PFP) Division of the AICPA awarded Jim with the first annual Outstanding Service Award. This award is given to CPAs who have served the public interest by enhancing the quality of personal financial planning services and have provided outstanding service to the American Institute of CPAs PFP Division. In 1990, the LINC Society of CPA Financial Planners selected Jim as the "CPA Financial Planner of the Year".

In addition, Jim has authored several books and helped create a software package for financial planning (PFP Notebook). His most recent project is a workbook for engaged couples entitled *Let's Talk About Money Before You Tie The Knot*. This book will provide a structured approach to financial education of a couple preparing for marriage. The book is in the publishing stage and will be available for purchase in April or May through Amazon.com.

### *Spotlight on Jim*

- B.B.A. in accounting from the University of Miami
- M.B.A. in Management from Florida Atlantic University
- Earned the PFS (Personal Financial Specialist) designation
- Member of the Tennessee Society of Certified Public Accountants (TSCPA)
- Member of the American Institute of Certified Public Accountants (AICPA)
- Served as Chairman of the AICPA Personal Financial Planning Conference Committee
- Member of the Executive Committee of the Personal Financial Planning Division of the AICPA
- Author of *The CPA's Guide to Financial Planning*
- Authored a course for the AICPA entitled "Wealth Utilization and Transfer"
- Author of the computer software PFP Notebook
- In 1988 the PFP Division awarded Jim with the first annual Outstanding Service Award
- In 1990 and 1991 Jim was designated as the outstanding presenter of AICPA CPE courses in Tennessee
- In 1990 the LINC Society of CPA Financial Planners selected Jim as the "CPA Financial Planner of the Year"
- National Association of Estate Planning Council Award in 2006

# 12 Top ~~Ten~~ Technology Tips from a Layman

We are very fortunate here at BCS to have three very talented IT guys who take extremely good care of us. Our business, as I'm sure your business and life, is becoming more and more dependent every day on the use of technology. I ask questions about the various inner workings of our technology from time to time and after five minutes my eyes are glazed over, I have a headache and I feel like a 2<sup>nd</sup> grader. So that said I'm going to give you my top twelve tips that I've absorbed over the last 12 months *in English*. No IP addresses, Bits, Bytes or Internet protocol language used here!!

1. **Paperless, PDFs and scanning is where it's at now** - Capturing, indexing, storing, retrieving, searching and managing information electronically is one of the most important areas where you can see improved efficiency and cost savings, professionally and personally.
2. **Dual monitors will really increase your efficiency**—having just started using these recently I have been very impressed with how wonderful this is. Prices of monitors have really come down making this very affordable for all. “Dual Mon” software makes our use of the monitors even easier.
3. **You cannot train yourself or your staff enough when it comes to the software you use.**
4. **Webinars should now make up a large part of your training.** We are finding these are inexpensive ways to get very high quality training for multiple people.
5. **Less printers are better than more** – Invest your money in the best printer you can get (we prefer HP). Speed and maintenance cost benefits far exceed having a printer within arms length, not to mention the fact you need to get up every now and then.
6. **Firewalls, Anti-Virus Software and Spam Filters are a must!!** These are very important for efficient use of the computer, and safety and security of your data, just don't ask me how any of them work.
7. **Everyone should have at least one Thumb Drive** - This makes the sharing/transfer of data very easy and the amount of data that you can save on these now is truly amazing.
8. **Cell phones and e-mail** have improved our ability to communicate greatly, but you have to make sure you are managing them and not the other way around. If you find yourself constantly checking/answering e-mail and answering your cell phone, you'll find your efficiency and productivity drastically decreasing. In the very important area of time management, I've found we have to be very careful with these two tools!
9. **Second e-mail address** for all internet log-ins and orders to significantly reduce spam for regular e-mail.
10. **Mobile and Remote Access to our Computers** is a great convenience that if you don't have it you should. We use Citrix software here and it is wonderful.
11. **Voice recognition software** is still not really for the people of East TN; don't waste your time or money yet. Ya'll know what I mean, nuff said.
12. **You really can watch TV over the internet.** My family and I forgot to tape the premier of Survivor this past February so that weekend we gathered around the computer and watched it over the Internet at CBS's website. I know this has no business application, but I thought it was really cool and explained to my family how we were experiencing the future!!!

# Tips You Need to Know About Rental Real Estate

*By Andy  
Hatfield*

Springtime has a way of stimulating the mind of the inspiring real estate investor in some of us. It may be owning a condo, house, or apartment complex on the side for investment purposes or for others it's the thought of owning a vacation home, perhaps a condo at the beach or a mountain cabin to be used for personal purposes and/or rental purposes.

Along with some of the aforementioned aspirations come some significant tax issues that should be considered.

Probably the greatest tax benefit of rental real estate is the depreciation deduction. This is a non-cash flow deduction that reduces your immediate taxable income. One thing to be aware of with depreciation is that like most tax benefits, it is only temporary. Depreciation reduces basis in your property that will increase your gain upon a taxable sale of the property.

Another great benefit is the opportunity to defer tax upon a disposition of a property by utilizing the deferred exchange (1031) provisions in the tax law.

A potential trap to be aware of is the passive loss rules. Losses generated by passive rental real estate are only offset

by other passive income, unless you are considered to be an "active participant" in managing and maintaining the property (within certain AGI limitations) or if you are a "materially participating real estate professional." However, the good thing is that the losses that you are unable to use on a year-by-year basis will carry forward and offset the taxable gain when the property is sold. It is important that you do not assume that real estate losses will offset other types of income (wages, interest income, dividend income) until you are advised by one of our tax professionals based on your particular circumstance.

Another item to consider are the vacation home limitations, specifically based on the amount of your personal usage of the home. One of the great things about a rental property is that it's treated as a business. Things like repairs, utilities, homeowner association (HOA) dues, cleaning expenses and management fees can be deducted against rental income. However, the amount of time you personally spend vacating at your property can limit the tax deductibility of these expenses. Property taxes and mortgage interest that typically are deducted on a 2<sup>nd</sup> home are not affected by these personal use or vacation home limitations.

This is a very brief overview of a few of the more common tax issues that need to be addressed before purchasing a rental property/vacation home. Please call me or one of our tax professionals for a more extensive discussion on these and other related tax consequences.



# More Than Just Power

Johnson City Power Board (JCPB) is “more than just power!” Upon moving from downtown Roan Street to the Boones Creek location in 2002, a member of the JCPB management staff said “It is with pride and expectation that we enter to a new phase of service to our customers at our Boones Creek facility.” The momentum of striving to better serve over 70,000 customers continues at full speed. The electric industry is changing quickly. Customers demand more. Technology demands more. And, the JCPB employees are excited and ready to exceed customer expectations.

With more than 60 years of service to residences and businesses of Washington County, as well as parts of Carter, Greene, and Sullivan Counties, JCPB has learned to adapt to its customers’ needs. In today’s world of “would you like fries with that,” value added services are essential, even in the power business. Businesses are perpetually trying to differentiate themselves to gain more of the market and increase customer loyalty. Is this the goal of JCPB, to gain additional market by selling more energy? JCPB’s General Manager Homer G’Fellers says, “yes and no.” G’Fellers, claims “Yes, we’re working towards selling more kWhs. However, on the other hand we don’t want anybody, business or residence, to use any more (kWhs) than they have to.” The real key is “any more than they have to.” Many of JCPB’s value-added programs, services, and products encourage customers to use less energy. For example, with each electric heat pump installed through the *energy right*® Heat Pump Program or each new home built per the *energy right*® guidelines, JCPB loses energy sales. Energy efficient homes obviously use less energy. Why then promote programs that sell less of your primary or key product, electricity? By promoting energy efficiency, power companies can actually help customers receive low cost, reliable power. Consider the big picture. The more energy efficient we all are, fewer generation facilities will be needed, fewer substations and lines will need to be built or upgraded, and energy demand-generation can be better managed. We all have an obligation to protect our natural resources and to help protect the environment for future generations. Furthermore, as a public, non-profit utility, JCPB is dedicated to exceeding customer expectations by not only selling electric energy, but providing the value-added, as well. In other words, a burger isn’t a burger without the fries. The fries simply make the whole “meal experience” better. The whole “at-home electric energy experience” is better if you’re warm and comfortable, and energy bills are affordable.

In an effort to help make Johnson City a great place to work, live, and play, JCPB works to promote economic development through contributions, by offering a key accounts program for commercial and industrial customers, and by ensuring an overall 99% reliability rate for electric service. Through the key accounts program, JCPB offers a variety of services for business and industry; thus, assisting local business and industry to better its bottom line. One such service provided is ultra sonic testing. By conducting ultra sonic testing, TVA and JCPB personnel use high-tech equipment to assist manufacturers in detecting air leaks. Any air leaks found are tagged, the amount of lost air (CFM) is recorded, and the customer is provided with a final report which indicates the amount of energy lost in terms of dollars. By fixing tagged air leaks, the customer may then save energy and money. This is just one example of the many programs commercial and industrial customers have utilized. Several local companies have benefited from loans for capital purchases, energy audits, thermal imaging, HVAC analysis, and energy efficient light recommendations.

In the past few years, many changes have been made to better serve customers and to streamline operations. JCPB has extended business hours, accepts payments by credit card, offers an interactive website, reorganized crews to more quickly respond to power

*The Johnson City Power Board has been an audit client of Charles Steagall’s for 35years. Blackburn Childers & Steagall recently performed a SAS 70 engagement which assesses certain specified internal controls as requested by the Tennessee Valley Authority. This engagement was led by Melissa Steagall-Jones.*

interruptions, and much more. In addition, new programs and services are on the horizon, but are yet to be announced. (Stay tuned.)

Again, JCPB is “more than just power.” The employees are really what make JCPB “more than just power.” Power Board employees have a tremendous spirit of giving back to the community. Many JCPB employees are very involved in the community. Employees volunteer their time, effort, and money to numerous events and fundraisers; such as, sponsoring children’s sports activities, Johnson City/Washington County/ Jonesborough Chamber of Commerce, Boone Lake Clean-Up, Boys & Girls Club,

UMOJA, United Way, Communities In Schools, Southern Appalachian Ronald McDonald House Charities, and much more. Many Power Board employees are quick to recognize their blessings and are quick to share. One of the most heart-warming stories about a JCPB employee going above and beyond happened on a very cold winter’s day. One of the JCPB application representatives was very upset that the customer she was serving wasn’t wearing any shoes. After spending some time with the customer, the application representative made the assumption that the lady, who also had three small children by her side, simply could not afford shoes. So, the application representative quietly and discreetly slipped off the shoes she was wearing and gave them to the lady. This example is what it’s all about, people serving people. And JCPB is in business to serve people.

For more information about JCPB and its programs, services and products, visit [jcpb.com](http://jcpb.com).

*Submitted By: Angela Shrewsbury, JCPB Energy Services & Marketing*

## ***Tech Talk...***

*By Don  
Wallingford*

# A Free Office Suite?

Just about everyone likes to save money. Whether it is negotiating the price of a new car or shopping for a new computer, the same is true when looking at software to purchase. The unfortunate thing is that not everyone has or wants to spend \$150 for Microsoft Office software for their home computer. The fortunate thing is that there are software packages out there that seem to be just as good as the mainstream products, but at a lower cost. I’d like to briefly look at Open Office, a free office software suite that in some ways rivals Microsoft Office.

The majority of people today use Microsoft Office when working with documents, spreadsheets, and presentations. The downside is that it can cost \$150 for the Microsoft Office 2003 Basic edition (just includes Word, Excel, and Outlook). The Open Office suite (made by Sun Microsystems) is an open source office productivity pack which means that anyone with programming knowledge can edit the program for their needs or improve the program as a whole. Once edited, people can share the program but cannot charge others for the program. In recent years, many home users have begun to look at Open Office as a cost effective alternative to Microsoft Office.

When looking at Open Office’s word processor application (known as Writer) the look and feel is similar to how Microsoft Word operates. The same is true for Open Office’s spreadsheet program (Calc) in comparison to Excel. In tests performed by Eweek.com, they found that more advanced users of Excel and Word had difficulty in finding advanced tools and features within Writer and Calc. An advantage that Open Office offers is the ability to save documents and spreadsheets to more file formats than what Microsoft Office offers. An example would be that Open Office will allow a user to save a document as an Adobe PDF document while Microsoft Office requires an update to be installed to allow the same function. Open Office can also handle opening Word/Excel files, but you might have to go back through the document and correct any formatting changes. One thing that might deter people from using Open Office is the lack of traditional support. Since Open Office is an open source program, any support has to come from other users that use the software. So if an error message comes up while you are working on a spreadsheet, you’ll have to search around on the internet for awhile to find a solution rather than calling Microsoft and getting a quick answer. Because of that reason the IT department at BCS does not provide support for Open Office products due to the cost to the client for support.

Now if you don’t want to pay \$150 for the newest version of Microsoft Office for your home computer and you only need an office productivity suite for basic functions, I would suggest giving Open Office a shot to see if it can meet your home needs. You might have to spend some time to get acquainted with the program, but then again you get what you pay for... and it’s free. 5

By James  
Motte

# Tax Free RMD ??

Are you 70 ½, have an IRA and plan on giving to a charity in 2007? – Then read on. On August 17, 2006, President Bush signed into law The Pension Protection Act of 2006. One provision of this law allows an individual to contribute their Required Minimum Distributions (RMD), up to \$100,000, directly from his/her IRA assets to a tax-exempt charity of the individual's choice. Currently, this portion of the law is only available for 2007. The list below demonstrates some of the advantages of having the RMD sent directly to a charity instead of to the tax-payer:

**1. The RMD amount is not included in an individual's Adjusted Gross Income (AGI).** A higher AGI increases the likelihood of Social Security benefits being taxable as well as phasing-out itemized and standard deductions for upper income donors.

**2. It eliminates the requirement that an individual has to itemize in order to deduct charitable contributions.** Currently, if an individual's total itemized deductions for 2007 are not more than his/her standard deduction (\$5,150 Single - \$10,300 Married) then the

individual will not be able to take financial advantage of the contributions made to charity.

**3. It allows the donor to give more than 50% of AGI.** Cash contributions to most charities are limited to 50% of AGI. By transferring directly from an IRA to a charity, a donor has the capability of giving more than 50% of his/her AGI.

In summary, if you are an individual who is currently taking RMDs and you are planning on donating to a charity in 2007, then you should certainly give this new opportunity some consideration.

## QuickBooks Tips.....by Gina Lemons

We have several people in our office that can assist you with QuickBooks. Below are 10 helpful QuickBooks Tips:

1. Create an icon for frequently used reports.
2. Create a Memorized Transaction for repetitive invoices or journal entries.
3. Prevent someone from posting to prior years by Closing The Date.
4. Track departments within your company by creating Classes.
5. QuickBooks will only provide Payroll Tax Tables for the current year version of QuickBooks & the two prior years.
6. Don't void a check, invoice, or bill from a prior year. This will affect the Retained Earnings and cause your accountant many frustrating moments.
7. Don't delete a cleared check. This will affect the beginning balance when you attempt the next month's bank reconciliation in QuickBooks.
8. Make a backup copy of your QuickBooks file at least once a month.
9. Can't remember when you posted a transaction—if you know the amount, name, or date you can use the Find feature to locate the transaction.
10. Call BCS. We have several people in Johnson City, Kingsport and Greeneville who are happy to explain these quick tips or answer any other questions that you may have.

## Personal Lines

by Gina Lemons

Congratulations to Lorrie Hale (Small Business Dept). She graduated Cum Laude from Milligan College in December 06 with a Bachelor of Science Degree in Business Administration.

Congratulations to Aaron Balmer (Tax Dept). He graduated Cum Laude from Milligan College in December 06 with a Double Major in Accounting/Applied Finance and Business Administration.

Congratulations to new parents, Rachel (Audit Dept) & Adam Wallen. Their son, Dylan Wallen was born January 12, 2007.

Jacqueline Ayers was named Ambassador of the Quarter for the Johnson City / Washington County Chamber of Commerce.

BCS is pleased to announce that Noel Hebert (Audit Dept) has passed the CPA exam. She received her Masters Degree in Accounting from ETSU in 2004. Well done, Noel!

## My Chat with...Cathy Peters

This year Cathy Peters joined BCS thru the merger of Hoover Harrison, Associates (HHA). She was with HHA for 31 years and became a partner in 1981. Cathy will continue working from our Kingsport office as a Senior Tax Manager. Cathy graduated from Memphis State, now University of Memphis, with a Bachelor Degree in Accounting. She earned her Certified Public Accountant License in October 1977 and completed the AICPA Personal Financial Planning Certification in 1991. Before joining Hoover Harrison, Cathy worked five years with the IRS in Memphis, TN.

She is a member of the TSCPA and the AICPA. She is a past President of the Appalachian Chapter of the TSCPA and a past Board member of the TSCPA.

Cathy's major areas of interest are tax and financial accounting for business and individuals. She especially enjoys working with professionals in the medical and legal fields.

Cathy is a member of the Downtown Rotary of Kingsport, Tennessee and has served on their Board of Directors. Cathy and her husband, Tom, attend St. Timothy's Episcopal Church where she serves on the Altar Guild. She has previously served on the Allocations Committee of the United Way and on the Board of the Symphony of the Mountains. She enjoys flower gardening, cooking, bargain shopping and spending time with her granddaughter.

By MeLissa Crockett

By Chad  
Kisner

## Internal Controls

If you talk to an auditor long enough eventually you will hear the words "internal controls" or sometimes more casually just "controls".

It is a mantra that we live under everyday and it largely is the basis for how we examine various transactions and test accounts, balances, etc. during the course of an audit. Internal controls are the framework by which your business or entity attempts to protect the integrity of the numbers generated and provide a comfort or sense of accuracy that what you are looking at is correct. They are also a line of defense that is imperative to every entity of any size.

Ever given thought to the idea of seeing the headline "**[YOUR NAME HERE]** fleeced for over \$1 million". Internal controls are not just a mechanism to ensure your audit goes smooth and that you get a clean opinion letter. They are protection, not just to the numbers but to the entire enterprise for which you work. So, if the only time you give any thought to internal controls is when the auditors show up and throw the term around maybe you should take some time to do it. Ask yourself some of these tough questions as you may be surprised by your answers:

- "If I were going to steal money from this entity how could it be done? How could it be covered up?"
- "Are there controls I know are weak? What can be done to fix them?"
- "Does what we do produce a trail of documentation (paper or electronic)? If not, does this present a weakness?"
- "Are the controls I think are in place REALLY in place? If so, are they achieving what is desired?"
- "When is the last time I really gave any of this some thought?"

Hopefully, your answers were very positive and you're feeling pretty good about how things are. If this was not the case, you've got some work ahead of you.

# "The Original Top Ten" Tennessee Ten Commandments

Some people in Tennessee have trouble with all those "shalls" and "shall nots" in the Ten Commandments. Folks just aren't used to talking in those terms. So, some folks in middle Tennessee got together and translated the "King James" into "Jackson County" language.... no joke, read on... The Hillbilly's Ten Commandments (posted on the wall at Cross Trails Church in Gainesboro, TN.)

- (1) Just one God.
- (2) Honor yer Ma & Pa.
- (3) No tellin' tales or gossipin'.
- (4) Git yourself to Sunday meetin'.
- (5) Put nothin' before God.
- (6) No foolin' around with another feller's gal.
- (7) No killin'.
- (8) Watch yer mouth.
- (9) Don't take what ain't yers.
- (10) Don't be hankerin' for yer buddy's stuff.

Now that's kinda plain an' simple, don't ya think? Y'all have a nice day.

## Tax Return Outsourcing

As the world gets smaller with technological advances and enhanced communication, to some degree, so do the relationships (get smaller) for many service providers and their clients. You may have heard that many accounting firms are starting to outsource the preparation of tax returns to foreign countries. BCS wants you to know that even though we are keeping stride with technology and providing services in the most efficient manner, we would not consider sending your tax information to another country.

We are committed to our local communities that we serve and we feel that outsourcing would not allow us to maintain the personal relationships with our clients that we value. Thank you for the opportunity to assist you with your tax, accounting and consulting needs.

April 3, 2007

### Pension Protection Act Seminar

*Ridges Country Club*

SunTrust Bank and BCS are Co-Sponsoring a Pension Protection Act Seminar on April 3, 2007 at the Ridges Country Club. The speaker will be Knoxville ERISA attorney, Bill Mason. Bill, a graduate of Harvard Law, is a well known speaker on ERISA matters in the state and works with SunTrust retirement plan clients in Tennessee and Alabama. You will gain insight into the new legislation, learn how to avoid costly errors. This seminar is designed to assist you in understanding the provisions of the recently passed Pension Protection Act of 2006 as it relates to Corporate 401(K) plans. **If you would like to attend this seminar please contact MeLissa Crockett at 282-4511.**

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