ClientTell
Blackburn, Childers, and Steagall, PLC
Certified Public Accountants and Consultants
Volume XVIII No. 1 Spring 2012 Blackburn, Childers & Steagall, PLC Quarterly Newsletter

Groundbreaking for New Kingsport Office!

Our Kingsport office is moving! In the 4th quarter of 2012, our new Kingsport office will be moving to 1361 Wilcox Drive. Since BCS has grown in the Kingsport area, we need a new space to meet our expanding needs. Our current location is at 440 East Sullivan Street.

TN Gift & Inheritance Tax Repeal

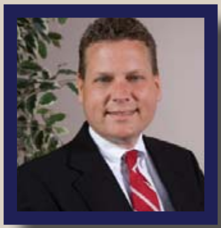
TN Gift Tax

The Tennessee state legislature has repealed the Tennessee gift tax, effective as of January 1, 2012. The repeal of the gift tax will allow individuals that make large gifts to take advantage of the $5.12 million federal exemption.

TN Inheritance Tax

The Tennessee state legislature has also repealed the Tennessee inheritance tax, effective as of January 1, 2016. The yearly taxable estate exemptions until that date are as follows:

2012:	$1,000,000
2013:	$1,250,000
2014:	$2,000,000
2015:	$5,000,000



Do You Have a Will?

by Tommy Greer

Based on a recent article in *USA Today,* 41% of aging Baby Boomers and 71% of adults under age 34 do not have a will. This lack of planning puts the future of families and loved ones at risk.

Most people don't have a will because they think it is too expensive or this is something that does not have to be done right now.

Although there are many factors involved, the overriding considerations motivating preparation of a will are one's family and one's assets. These two primary motivations impact the need for estate planning.

First, a will is very important to anyone with (or expecting) minor children. Many young parents don't believe they need estate planning because they are starting out, not likely to die, and without a large net worth. A will is still recommended first and foremost because it is the legal document which nominates guardians for minor children in the event of an untimely demise. If both parents die without wills, a chancellor or judge will make the decision about who will raise the children. This may or may not be the person the now-deceased parents would have chosen.

If minor children are not a consideration, one's assets may also motivate one to do estate planning. If a person dies without a will, each state's legislature has state laws that determine who will inherit your assets from you. These legislatures attempt to write the laws in such a way as, in their estimation, most people would choose. This usually means, in one formulation or another, the closest family members inherit.

State and Federal tax planning can also be a motivating factor for estates large enough to be impacted. The inheritance tax exemption is continually changing and is also subject to Sunset provisions which makes it very important to seek professional help.

It's a smart idea to discuss related issues with an attorney – such as power of attorney in case of disability but not death, a living will to deal with heroic medical efforts and a living trust if the estate is at least $250,000.

Everyone addresses these issues at some point but without proper planning you may not be the one who gets to make the decisions!

7 Major Errors in Estate Planning

1. Not having a plan
2. Online or DIY rather than professionals
3. Failure to review beneficiary designations and tilting of assets
4. Failure to consider the estate and gift tax consequences of life insurance
5. Not maximizing annual gifts
6. Failure to take advantage of the estate tax exemption in 2012
7. Leaving assets outright to adult children

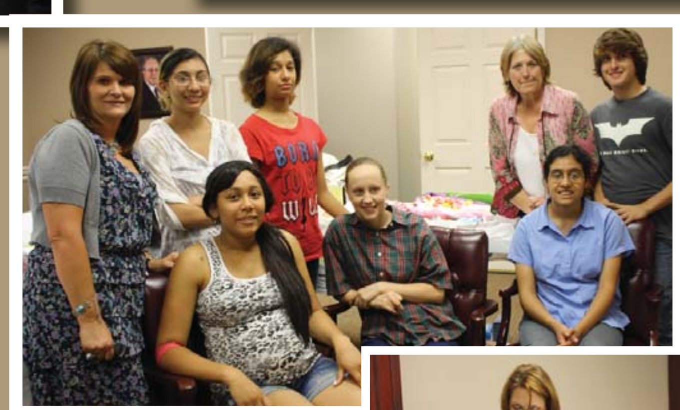
The goal is to make sure your final wishes are executed properly and to minimize turmoil within your family.

David Babb, CPA David will be working in the Audit Department in the Johnson City office. He has a Bachelor degree and a Master's in Accounting. He is a member of the TSCPA and the AICPA. He has four years of experience with a firm in Knoxville. David and his wife, Sarah live in Telford and are expecting their first child.

Personal Lines

Andy Clark and his wife, Katie welcome their first child, Lillian (Lilly) Ruby-Louise Clark. She weighed 7 pounds 5 ounces and was 20 1/4 inches long.

BCS in the Community



On March 2nd, BCS celebrated Dr. Seuss' birthday at the Niswonger Childrens' Hospital by providing gift bags and activities for the children undergoing treatment, and we enjoyed arts and crafts with the kids (Top row and left). BCS employees also held a baby shower for Evonca Gray, a recent graduate of Science Hill and an upcoming freshman at ETSU, who has been in and out of the foster care system.

Client Feature

CLW Delivery

CLW Delivery is celebrating 34 years in business this year. They are a family-owned third party contract delivery service with warehouses in seven states. The company was started by Richard Taylor as a one-man operation. "When we started, CLW had one truck and one driver – me," said Richard. Originally a delivery service for Home Interiors, CLW is now a major carrier for Sears and Lowe's Home Improvement stores located in Tennessee, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, and Virginia. In 2000, CLW Delivery was incorporated; employing about ten people. Since then, the company has grown exponentially, adding over 100 people to its workforce.

"We try to grow, maintain, grow, maintain," said Richard. "It's the cycle we go through here, as do most businesses, trying to control the growth so that we aren't expanding just for the sake of expansion. We are making sure that we can be successful and still preserve our level of customer service," said Clint Taylor, Richard's oldest son. Together with Wesley, Richard's younger son, the Taylors work to ensure that honesty, integrity, and respect for their customers are at the forefront of their work ethic.

"We're in the growth stage now," said Clint, "we are doing a little rebranding. We've had the logo and the website redone. We are also working on an app for tracking purposes."

CLW landed Sears as a customer in 1997, delivering for independently-owned stores in various areas of Kentucky, North Carolina, and Tennessee. After a corporate restructuring, the independent Sears stores were absorbed in conglomerate markets, and CLW lost those accounts. In 2007, they were awarded the Knoxville market by the company's corporate offices. Richard commented that Sears wanted to see how well CLW Delivery, a relatively small carrier service by industry standards, could manage one market. "After Sears awarded us the Knoxville market, they decided to see if we could handle additional markets. Today, we are consistently ranked in the top 6 out of about 20 carriers nationally, and we are in the top 50% volume-wise for all Sears' carriers," said Richard. CLW currently operates in seven Sears markets, comprised of 22 stores.

Lowe's Home Improvement has used CLW Delivery since 1999. They started delivering for three markets and now deliver for eighteen markets. "We feel very blessed to be a carrier for Lowe's. They only use about four or five delivery services in the country, and we are one of them."

If you are wondering how Richard decided what to call his fledgling business those many years ago, he thought of his three young children's name, said it aloud, "CLW Delivery," and liked the way it sounded, so the name of the company is an acronym for Richard's three children, Clint, Leslie and Wesley.

To find out more about CLW, see their updated website at www.CLWdelivery.com.

From Left: Clint, Richard and Wesley Taylor

Imagine Whirled Peas

by Travis McMurray

Each day we engage in various activities in which we attempt to be both effective and efficient. We all want to continue to strive to perform better – the constant quest for process improvement. This quest is not only relegated to work activities. Let's suppose that you decide one day that you're going to go home and fix BBQ ribs and a baked potato. On your way home you stop by the grocery store and purchase your necessary items. Once your home you start the process…perhaps something like this:

1. Start propane grill
2. Prepare BBQ for cooking
3. Cook BBQ (we'll assume you subscribe to the low-heat/slow method)
4. Wrap potato
5. Bake the potato

Simple enough…however it takes a little time to bake a potato and you need to take your time in order to have really good BBQ. If you did these steps sequentially, but didn't start the subsequent step until each one was completed, it would be a pretty lengthy process, and the BBQ would not be very warm when the potato finished. So your process would be somewhat effective, but not very efficient.

Obviously, the solution here for increased efficiency is swim lanes. The BBQ would take longer than the potato to cook. But, suppose you were one of those folks who thought peas were actually edible and you were a big fan of the microwavable steamed peas that take about five minutes to cook (crazy talk I know, hardly worth the effort). The swim lanes would look something like this:

Lane A - BBQ Cooking
Lane B – Potato Cooking
Lane C – Peas

Now the good news is you've greatly improved your efficiency. But, your potato is now going to be cold – the peas are really not affected (warm/cold makes very little difference). If you wanted to achieve both effectiveness and efficiency, the answer lies in timing the swim lanes so that all three lanes finish at the same time. So you simply delay the start times. Then you can have everything nice and warm – a thing of beauty.

Lane A - BBQ Cooking
Lane B – Potato Cooking
Lane C – Peas

The Global Leadership Summit

Make plans now to attend The Global Leadership Summit on August 9-10! You should attend The Summit if you are in a leadership position not just in a church, but in any occupation. First Christian Church in Johnson City will be a host site for the Summit, where you can attend a live videocast. For more information or to register, please visit WillowCreek.com/Summit.

Find the Right Accounting Software!

by Gina Lemons

Today, just about everyone has at least two computers in their home. Most business owners rely on computers and accounting software to track their income and expenses. They like the idea of instant feedback that the accounting software can provide.

The selection has also grown - from a few DOS-based programs to a wide variety of PC-compatible and MAC-compatible programs. Banks are even catching onto the craze; offering use of software packages through their websites. With all the choices out there, which one is right for you? Well that depends on who you ask and what your needs are. Hopefully the latter is taken into the account when you ask the former.

QuickBooks is the most widely recognized software on the market. It's owned by Intuit which also sells Quicken software. Peachtree which is owned by Sage Software and AccountEdge (MYOB) are not as well known. All of them have the capability to provide the most common accounting needs. There are also industry-specific programs out there, such as PCLAW (used in attorney practices), that may be a better fit for your business. If you are familiar with computer software, you know that most software packages come in a wide variety of versions ranging in price from the affordable to the outrageously expensive. Do not be sucked in by the salesperson or the advertising.

Make a wish list of what you'd like the accounting software to do for you.

- Do you want to only post checks and deposits?
- Do you want to track customer activity?
- Do you want to track and pay sales tax?
- Do you need to keep up with payroll compliance?
- Do you need to track inventory?

Answering these and other questions will help narrow the field. Think of the commercial where the man is trying to find the right car using websites and you get the idea. Other important things to consider are affordability and convenience.

- How much can you afford to spend on software?
- Is the software accessible via Internet connectivity?
- Is the software compatible with your current computer(s)?
- Is the accounting software compatible with other software that you use?

Bottom line – do your homework before you buy. Whatever choice you make needs to be a benefit to your business; not a burden. It would behoove you to discuss your options with your accountant to find out the best product to help you deal with your day-to-day accounting activity. Taking your specific needs into account, they can suggest the most useful tool for you, not the most popular or most expensive. And used properly, any of the choices out there will save you time and money in the office so that you can apply your time to making more money in your business.

Check the BCS Blog at www.BCScpa.com for more information and other current issues affecting you.

Employee Benefit Plan Changes

by Tara Bradley

If you sponsor an employee benefit plan, be prepared for a new DOL Regulation effective July 1, 2012.

Employee benefit plans constantly face changing regulations and increased focus on meeting fiduciary responsibilities. A hot topic in recent years has been the evaluation and disclosure of fees charged to the plan, the sponsors, and the participants. The variability and complexity of fee structures used by service providers has pushed the Department of Labor to take action by issuing a final regulation on service provider fee disclosures under Section 408(b)(2) of the Employee Retirement Income Security Act of 1974 (ERISA), which is effective July 1, 2012. These efforts will result in disclosure of the information necessary to evaluate the reasonableness of compensation arrangements currently in place with plan service providers and subsequently shift control over the fees charged to the plan into the sponsors' hands. It will also hold service providers to a higher standard by increasing transparency and disclosure of all direct and indirect compensation they receive for services provided, such as recordkeeping, advisory services, and brokerage services.

THERE COULD BE PENALTIES AND EXCISE TAXES

Service providers receiving $1,000 or more in fees, direct or indirect, are required to provide plan administrators with written service agreements that include specific information about compensation arrangements and fees charged to the plan. This agreement should provide enough breakdown to allow the plan sponsors to evaluate the reasonableness of the fees. After July 1, 2012, any transaction conducted with a service provider for which there is no written agreement will be treated as a prohibited transaction and could be subject to penalties, including the imposition of excise taxes.

FIDUCIARY RESPONSIBILITIES

Perform a review of the fee structures for reasonableness and propriety. This evaluation could be completed through the use of benchmarking among other providers for similar service packages. It is important to remember that all service providers do not offer the same level of assistance with plan operations and therefore variability among the fee structures is expected, but overall the fees charged should be reasonable and reflective of the services provided.

It is the plan sponsor's responsibility to ensure that all needed agreements are requested. For providers that refuse to furnish the written agreements, sponsors are offered some relief through the updated Schedule C of Form 5500. The 5500 was updated to include questions regarding the disclosure of fee information and plan sponsors will be able to identify specific service providers that failed to cooperate or comply with the 408(b)(2) requirements. However, plan sponsors are encouraged to exhaust all other means of obtaining the necessary information prior to reporting providers on the 5500.

Thyroid Cancer Awareness Day

BCS acknowledged Thyroid Cancer Awareness Day on March 27th by wearing pink, blue and teal.

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Storming Capitol Hill

Partner Karen McMurray, along with Senator Alexander and members of the Johnson City Chamber in Washington D.C. to accept BCS' Blue Ribbon Award from the US Chamber, were featured in the Chamber's Free Enterprise magazine, discussing taxes, health care and federal spending. From left: Robert Purser - US Chamber, Dr. Larry Calhoun – Gatton College of Pharmacy, Tom Seaton – The Firehouse Restaurant, Senator Lamar Alexander, Dr. Janice Gilliam – Northeast State Community College, Karen and Stan McMurray, Gary Mabrey – Johnson City Chamber.