



The Burdette Smith Group

CPAs of Choice

VOLUME 2, ISSUE 3

February, 2007

Special points of interest:

Minutes, What Minutes?

Donating Your IRA to Charity

News of Our Clients

Staff News

Winter Blahs

Tax Season Notes

Virginia #1 for Business

Inside this issue:

News of Our Clients 2

Staff News 2

Winter Blahs 3

Tax Season Notes 4

Virginia #1 for Business 4

Minutes, What Minutes?

By: Thomas E. Burdette, CPA



Thomas E. Burdette, CPA

A number of you would answer this question with a question, "Hmmm ... what minutes?"

A large number of corporate entities (i.e. C Corps, S Corps, LLCs) do not have annual meetings and as a result do not have minutes documenting what business has been transacted. This could be a big mistake. The limited liability offered to corporate shareholders is by far the most important and distinctive advantage of incorporation. To enjoy the benefits of incorporation, the company must observe corporate formalities and properly maintain corporate records and accounts. This helps the corporation retain its corporate status and protect its officers and shareholders from personal liabilities.

Corporate minute books serve as an official corporate record. Keeping them up to date should be high on your priority list. Actions that generally are documented in the corporate minute book are:

- Election of officers of the corporation and documentation of their compensation.
- Adoption of business policies and plans.
- Issuing and selling of stock or ownership interests.
- Approving the purchase, sale, lease, exchange, transfer or disposition of corporate property and assets.
- Approving mergers, acquisitions and reorganizations.
- Approving the adoption and funding of pension, profit-sharing and other employee benefit plans.
- Approval of corporate borrowing and loans.

Continued on page 2.

Donating Your IRA to Charity?

By: Diane Acurso, CPA

In 2006 Congress passed a new law that enables taxpayers who are 70 1/2 or older to contribute up to \$100,000 of their IRA balance to charitable organizations without recognizing income. This applies only to donations made in 2006 and 2007 and only to certain "50%" organizations. Taxpayers would also not get a charitable deduction for the portion of the IRA rolled over to the charity.

The qualified 50% organizations include educational institutions, hospitals, medical research organizations, organizations supporting government schools, governmental units, and publicly supported organizations. They do not include donor-advised funds or supporting organizations of the qualified 50% organizations.

The exemption from income only applies if the **entire** IRA distribution would

Continued on page 3.

Minutes, continued

Continued from page 1.

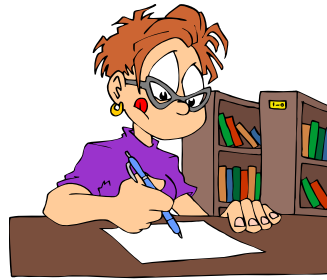
- Designation of corporate bank accounts.

You may be saying that you know what is going on because you are the CEO, CFO, COO or Chairman of the Board, but you still need to document the paper trail, and the best way to do this is in the corporation minute book which records actions taken at both the shareholders' meetings and the meetings of the board of directors.

Here are some basic tips for preparing corporate minutes.

- **Who, What, Why, Where and When** - Reflect who attended the meeting; what its purpose was; why it was called; where it took place; and when it started and ended.

- **Did You Notice?** - Record the fact that notice was given by stating that the meeting was "duly noticed" or "duly held pursuant to notice given."
- **A Note of Approval** - Include language that the board of directors



approved the minutes of the last meeting.

- **In the Presence of Stock Records** - For stockholders' meetings, some states require that stockholder records be present at the meeting. Note in the minutes, therefore, that the records were available as required.
- **Keep It Simple, Simon** - Limit the minutes to a general description of the matters discussed. This helps to avoid statements that could later be troublesome.
- **Vote for the Record** - Include voting results on proposals, and name directors who voted against or

Continued on page 3.

News of Our Clients

Guident Technologies, Inc., announced that it ranks third on *Washington Technology's* Fast 50 list named annually by *Washington Technology* magazine. Recognizing companies with phenomenal growth over the past five years in the information technology market highlights the exceptional growth in the public sector serving the federal government. Guident provides business intelligence and data warehouse solutions to both the federal and commercial markets.



Guident is certified as an 8(a) and Small Disadvantaged Business by the U.S. Small Business Administration. The

business is headquartered in Herndon, VA.

Hats off to **Kurt Collier** and the great work he and his company are doing worldwide to improve life for those who have lost lower limbs as a result of disease, trauma and combat-related injury. Freedom Innovations, based in Irvine, CA, makes state-of-the-art carbon fiber feet and micro-processor hydraulic knees. Kurt's office is located in Frederick, MD though business development keeps him busy traveling. "We provide products that enable our clients to continue their previous lifestyle," said Kurt. "We are proud of the fact that many of the soldiers, returning from Iraq, are choosing to use the products of Freedom Innovations."

TAC Ceramic Tile Co. moved to a consolidated location over the Labor Day weekend. The building, located in the Innovation Corridor on the 234 by-pass near Manassas, is 65,000 sq. ft. and will allow the company to streamline opera-

tions, re-stock in more efficient volume and facilitate the company's production process. **Tom Callaway**, TAC President, hopes to take the company from the current \$40 million operation to \$100 million in the next five years. TAC is the largest tile company in the metropolitan region holding contracts with national builders in the new home market as well as multi-residential homes, i.e. condos and town homes. The company currently employs around 380 individuals.



Tom recalls that he has been a client of BSG since 1986 at which time the monthly retainer fees were \$50 per month. "I sure wish that were still the case," laughed Tom. "TAC and Tom Callaway are very valued clients of the firm," said Jeff Smith. "We are proud of their success and our long association."

Staff News

Love is blossoming everywhere. **Ann Roman's** daughter Adrienne will become the bride of Jason Somensatto in August. Teri Holl, daughter of **Becky Bartholomae**, will marry Nate Wells in May, 2008. Over the holidays, **Sue Leeper, CPA** became engaged to AF Col. J. Robert Ranck. They have not set a date yet. Our lunch room is full of bridal talk!



Here's another beautiful love story ... some months ago, **Jeff Kishaba, CPA** learned that he would need a kidney transplant. His health had been deteriorating for some time. It

was hard time for all of us as Jeff struggled with dialysis. His wife, Gabi, turned out to be a donor match. One of Gabi's kidneys was successfully transplanted and both Kishaba's are now enjoying good health.

Beth Moffett, CPA and family are celebrating the appointment of their daughter, Katrina, to the Air Force Academy. "Katie" will graduate from Woodson High School this spring. It's a dream come true for this talented young woman. Congratulations!



Josh Bright joined our staff this fall. He is a spring graduate of George Mason University where he has already begun his masters degree work. Josh and his bride, Stephanie, were married on January 27th.

Jeff Smith, CPA is taking time away from his busy desk to coach his son, Tyler, in the Great Falls Basketball League, 4th grade, 9 year olds. The team is 6-2 for the season.

Katharine Neville, EA (enrolled agent), began work for us in mid-September. Her long and varied career in taxes began when she was in 4th grade. Her mother and grandmother were tax preparers and Katharine's gift for good penmanship was put to use after school. Her job was to manually make 3 copies of each tax return that left their office. We've come a long way since then with electronic copiers, but there is certainly always a need for expert tax preparers. Katharine has two sons, one a graduate of UVA headed to law school and an 8th grade student at Luther Jackson Middle School.

Minutes, continued?

Continued from page 2.

abstained from voting on a particular matter.

- **Business Judgment Rules** - Maintain a sufficient record to demonstrate the board's exercise of its fiduciary duties of care and loyalty.
- **Don't Form Attachments** - Instead of burdening the minute book with numerous attachments, provide references in the minutes to documents filed elsewhere in the corporate records.
- **Right Place - Right Time** - Get qualified legal advice before the meeting and consider asking the company's lawyer to attend. Draft

minutes as soon as possible after the meeting while it is still fresh in the preparer's memory, thus ensuring greater accuracy.

- **No Extra Informal Notes, Please** - The corporate minutes are the official records of the meetings, so avoid keeping informal notes after minutes of directors and stockholders' meetings have been approved. Notes may be discoverable and could appear to contradict or raise questions about information in the minutes.



Corporate minutes may be stored in a notebook designated and labeled for this purpose. Electronic storage may also be employed, but protected from unauthorized personnel by password. Keep in mind that the corporate minutes are the official record of important decisions and discussions of your business and, as such, need to be stored in a secure location along with other corporate records.

I cannot stress more strongly the necessity of keeping good corporate records. We can assist your company with keeping your corporate records up to date.

Portions extracted from "10 Tips to Prepare Corporate Minutes" by Bonnie Rice, 2002.

Donating your IRA, continued

Continued from page 1.

normally be deductible—i.e., *no quid pro quo* reductions from the amount donated. If the deductible amount is reduced for any reason, the exclusion is not available for any part of the IRA distribution.

The new law benefits only taxpayers who are already making required minimum distributions (RMD) from their IRAs. However, there are several groups who should consider this kind of charitable deduction.

- Taxpayers who do not need the annual amount for living expenses and want to save the taxes on the additional income. Their itemized deductions are normally limited

because their adjusted gross income is larger than \$150,500 (in 2006) and would therefore not get a full charitable deduction to offset the taxable IRA distribution.

- Taxpayers who want to make an even larger donation (up to \$100,000) to charity without having the normal percentage-of-adjusted-gross-income limits apply.
- Taxpayers who take the standard deduction but receive no benefit from making charitable contributions. By donating their RMD, they would get a deduction for this special kind of donation.

- Taxpayers who want to make donations of a Roth IRA (normally not taxed), but who are affected by the percentage limitations.

We would be happy to discuss whether the new law would be a benefit to you or whether the organization that you have in mind is a qualified 50% organization.



Winter Blahs

By: Joan W. Cross

We've really gotten serious about winter now - the sterile months of February and March stretch out before us like a cold barren wasteland. Football season is over!

The desolate despair is almost palpable. Saturday, Sunday and Monday afternoons and evenings are threateningly empty. Creative energy for filling the void is hampered by the icy temperatures outside and the natural instincts to hibernate. The boredom of it all is suffocating.

In the interests of being your "full service accounting firm," we offer the following solution. Never fear ... BSG to the rescue!

Open a nice bottle of wine, light a fire, put some soothing music on the CD player and fill an empty evening with the collection and preparation of the materials for your 2006 tax return! How's that for excitement?! Make an effort to be one of the first to have your materials in to the office. In our home, this always leads to the comment from my husband, who takes care of these responsi-



bilities for us, "who could possibly earn their living doing this stuff???" It sort of shatters the ambiance of the evening - soft light, music and good wine. It's my signal to open another bottle of wine and slink off to a far corner of the house.

Several weeks later, another quiet evening will be spent reviewing the BSG work and signing off on our completed tax return. Sometimes this is a happy occasion filled with quips on how to spend our new-found wealth. On other occasions, we dispense with the fire, turn down the thermostat, save the wine and head to a long-delayed hibernation - wondering how we will keep body and soul together until spring.

**THE BURDETTE SMITH GROUP
CPAS OF CHOICE**

Certified Public Accountants & Management Consultants
4035 Ridge Top Road
Suite 550
Fairfax, VA 22030-7403

Phone: 703-591-5200
Fax: 703-385-3572
www.bsgpc.com



Tax Season Notes

Office hours are extended from February 12 until April 15th.

Monday through Friday - 8:30 a.m to 7 p.m.

Saturday - 9 a.m. to 2:00 p.m.

Voice Mail—24 hours per day, seven days per week

Tax return organizers, questionnaires, the Tax Return Agreement, and your \$400 deposit toward preparation fees should be completed and returned to the office by March 19.

If materials are received after that date we may need to place your return on extension. Extending your return is a simple process but we always want you to be aware that this action is being taken. If taxes are owed, payment must accompany your extension application. This is a very busy time. Please do not wait for us to call you regarding the extension - initiate the call and have your income figures on hand so basic calculations can be made.

New clients are welcome. Your referrals will receive the attention and service deserving of your trust.

We look forward to seeing many of you in the next few weeks.

Virginia #1 State for Business

Forbes.com, the Web site for *Forbes* magazine, ranked Virginia as a "clear No. 1" on its list of top states for business.

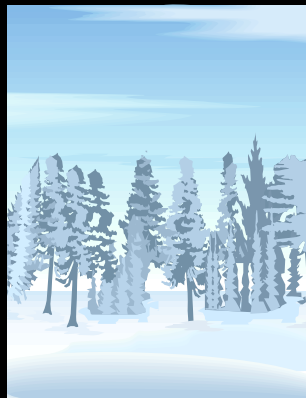
States were judged in six broad categories: business costs, economic climate, growth prospects, labor, regulatory environment and quality of life. Virginia ranked among the top 10 in all six categories.

The top five states were:

1. Virginia
2. Texas
3. North Carolina
4. Utah
5. Colorado

Our neighbor, Maryland, ranked 11th. The District of Columbia was not ranked among the top 25.

Virginia Business magazine, October, 2006.



*And for the season it was winter,
and they that know the winters of
that country know them to be
sharp and violent, and subject to
cruel and fierce storms.*

*William Bradford
1590 - 1657
American Pilgrim Leader
Plymouth Plantation*

DO WE HAVE YOUR CORRECT ADDRESS?

Please drop us a note if our mailing list is out of date. Try as we may, we often see some of these newsletters coming back in the mail with assorted kind messages from the post office. Please help us make the necessary corrections.

