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2nd Quarter 2006

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revenue

Ideas to help small businesses and individuals  
maximize income while minimizing taxes.

## Special 2006 Energy Alert: The IRS will pay you for making energy-efficient im- provements

If you're making home improvements this year, why not consider installing energy-efficient products and systems? You'll help make a difference to the environment AND earn federal tax credits on certain qualified items, such as new appliances, replacement windows, alternative water heating systems and more. Tax credits will reduce the amount of income tax you'll have to pay in 2007—helping you “remodel” your 2006 tax return, so to speak.

According to an IRS notice related to the Energy Policy Act of 2005 (P.L. 109-58), “During 2006, individuals can make energy-conscious purchases that will provide tax benefits when filling out their tax returns next year. The new law provides tax credits for making your principal residence more energy efficient, for buying certain energy efficient items.” These items include the following examples:

- Insulation systems that reduce heat loss/gain (10% credit)
- Exterior windows, including skylights (10% credit)
- Exterior doors (10% credit)
- Metal roofs meeting applicable ENERGY STAR® requirements; *see related side bar on page 2* (10% credit)

The maximum credit on these items for all taxable years is \$500, and no more than \$200 of the credit can be attributable to expenses for windows. These items must be placed in service after Dec. 31, 2005 and before Jan. 1, 2008.

The following items have different maximum credits.

- Solar panels (up to 30% credit/maximum credit of \$2,000)\*
- Solar water heating equipment except for heating a pool or hot tub (up to 30% credit/maximum credit of \$2,000)\*
- Fuel cell power plants (up to 30% credit up to \$500 for each .5 kilowatt of capacity)
- \$50 for each advanced main air circulating fan
- \$150 for each qualified natural gas, propane, or oil furnace or hot water heater
- \$300 for each item of qualified energy efficient property

The purchase of new energy-efficient dishwashers,

*Energy Alert - Continued on Page 2*

\*This credit is not limited to the \$500 home improvement cap.

## More Tips for Saving Energy AND Money

There are literally hundreds of ways you can save energy AND money through home improvements. Take landscaping, for example. Kelly Flagg of Flaggship Landscaping (see Client Profiles on page 4), told us, “A well-placed shade tree or new lawn area can dramatically reduce the cost of air conditioning in a home. Tree and lawn areas are cooler than asphalt or concrete areas by as much as 7-14 degrees, according to a study by the University of Minnesota Cooperative Extension.

Another surprising tip has to do with your windows. Karen Glass of Budget Blinds (see Client Profiles) told us that the right window treatment can save a Maine homeowner \$8,000 over ten years! Karen said, “Consumers are generally not aware that 40% of a building's heat is lost or gained through an untreated window. Think about how much of your wall space is consumed by windows. Recent energy studies indicate that in Portland, Maine, we lose \$25 per window per year in energy bills.”

The Maine State Department of Environmental Protection (DEP) offers a number of programs to reward businesses for being energy-conscious. One such program, Maine's Green Lodging Certification Program, helps lodging owners become certified Environmental Leaders and receive free ongoing technical assistance from the Maine DEP on how to continue to reduce environmental impact while saving money. Some of this program's recommendations include changes we can all make in our daily lives, including:

- Eliminating the use of Styrofoam food containers
- Reducing the amount of plastic containers and utensils, except where absolutely necessary. (Paper cups are preferred over plastic.)
- Using biodegradable automatic dishwashing detergent (no chlorine bleach or phosphates)
- Using “Green Seal certified” cleaning materials: [www.greenseal.org/certproducts.htm](http://www.greenseal.org/certproducts.htm)
- Using non-phosphate concentrated liquid or powder cleaning products
- Composting organic kitchen wastes for use as soil amendment in gardens
- Buying food grown from local farms as much as possible
- Buying products in bulk and avoiding single-use type products

To learn about the Maine DEP programs, visit [www.maine.gov/dep](http://www.maine.gov/dep).

## ◀ ENERGY ALERT continued

refrigerators, clothes washers and dryers may also be eligible for tax credits. Please check with [www.irs.gov](http://www.irs.gov) to learn more!

Finally, home builders are eligible for a \$2,000 tax credit for a new energy efficient home that achieves 50 percent energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements. There is also a \$1,000 tax credit to the producer of a new manufactured home achieving 30 percent energy savings for heating and cooling.

Please contact us at Honeck•O'Toole to go over your specific situation.

Read more details about Energy Star® and tax credits for hybrid automobiles. ▶ ▼

## HYBRID AUTOMOBILES

### Alternative Cars Can Help You Laugh at Gas Prices and Earn Tax Credits

The IRS is providing tax credits for the purchase of qualified hybrid cars. Their online notice states, "The tax credit for hybrid vehicles, which was enacted by the Energy Policy Act of 2005, may be as much as \$3,400 for those who purchase the most fuel-efficient passenger automobiles and light trucks. Hybrid vehicles have drive trains powered by both an internal combustion engine and a rechargeable battery. Many currently available hybrid vehicles may qualify for the tax credit."

A complete list of vehicles and their estimated credits can be found at [www.hybridcars.com/tax-deductions-credits.html](http://www.hybridcars.com/tax-deductions-credits.html).

**Important note about timing your car purchase:** There's a limit on the number of hybrid cars that will qualify for this tax credit. The IRS stipulates, "Since taxpayers may claim the full amount of the allowable credit (100%) only up to the end of the first calendar quarter after the quarter in which the manufacturer records its sale of the 60,000th hybrid and/or advanced lean-burn technology motor vehicle, consumers seeking the credit may want to buy early in the year."

The phase-out period for a manufacturer begins with the second calendar quarter after the calen-

## ENERGY STAR®



### What ENERGY STAR® means to you

The government-backed ENERGY STAR program is designed to help businesses and individuals protect the environment through energy efficiency. ENERGY STAR-labeled products have met strict guidelines set by the U.S. Environmental Protection Agency and the U.S. Department of Energy. Not only does the IRS consider many ENERGY STAR-certified products to be eligible for the 2006 tax credits noted above, but ENERGY STAR products can save you money for every year that you have it in use.

Not all ENERGY STAR homes and products qualify for a tax credit. But they're still worth considering because they will pay you back in lower energy bills within a reasonable amount of time, with or without a tax credit. For details, visit [www.energystar.gov](http://www.energystar.gov). ■

dar quarter in which the manufacturer records its 60,000th sale.

- For the second and third calendar quarters after the quarter in which the 60,000th vehicle is sold, taxpayers may claim 50 percent of the credit.
- For the fourth and fifth calendar quarters, taxpayers may claim 25 percent of the credit
- For quarters after that fifth quarter, taxpayers may not claim the credit."

Confused? Here's an IRS example of how this works:

"F Company is a manufacturer of hybrid motor vehicles, but not advanced lean burn technology motor vehicles. F Company sells its 60,000th hybrid car on March 31, 2006.

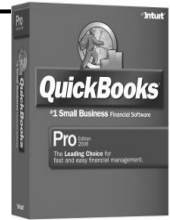
- Ms. Smith buys an F Company hybrid car on June 30, 2006, and claims the full credit.
- Ms. Maple buys an F Company hybrid car on Dec. 31, 2006, and claims 50 percent of the credit.
- Mr. Grey buys an F Company hybrid car on June 30, 2007, and claims 25 percent of the credit.
- Mr. Green buys an F Company hybrid car on July 1, 2007, and is unable to claim the credit, because the credit has phased out for F Company vehicles."

## QUICKBOOKS

### QuickBooks Tip: Spring Cleaning Should include Your Files!

While you're thinking about spring cleaning, remember that your computer could use some cleaning out as well. Having old files and unnecessary data just adds clutter to programs and takes energy out of your hard drive. This could slow down its operations and waste your valuable time.

The good news is—you don't have to do the cleanup yourself. The folks at Honeck•O'Toole can clean up your QuickBooks files for you, knowing exactly what to dump and what to keep for maximum efficiency and proper recordkeeping. Give us a call if you'd like to set up a time for us to do your QuickBooks spring cleaning for you.



### HOW TO REACH US

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## CLIENTS IN THE NEWS ►

### St. Germain & Associates

*Senior Environmental Consulting and Engineering*

When Bates College needed environmental compliance assistance, they turned to the experts at St. Germain & Associates. The owner of a Mid-Coast medical supply company selected the experienced managers at St. Germain & Associates to help him realize his dream of a retirement community for local seniors. And St. Germain & Associates came to the rescue of the Maine Department of Environmental Protection when an oil spill threatened residential drinking water wells in Monticello, Maine. When it comes to helping businesses and landowners with compliance, development, petroleum and waste management, or other environment- and land-related issues, the St. Germain & Associates team has seen it all. This small yet powerful Westbrook-based firm employs senior level consultants who ensure that projects are handled intelligently and effectively. Mark St. Germain, president and

principal of the firm, explained just how important experience is in this field of work. "Nothing beats having a seasoned senior manager on a project, providing competence, accountability and continuous personal attention so that nothing is left to chance. In fact, we're only twelve individuals, but you'd be hard pressed to find another group of scientists and engineers with the background of this team. This distinguishes us from other environmental consulting and engineering firms because clients know we've dealt with complex environmental and land development issues before. It gives clients a sense of security and peace of mind." The St. Germain & Associates team serves clients throughout New England and the U.S., including large and small commercial and industrial facilities, lending institutions, insurance companies, utilities, trade associations, and local, state and federal governments. To learn more, visit [www.stgermain.com](http://www.stgermain.com) or call 207-591-7000.

## ◀ CLIENTS IN THE NEWS

### Flagship Landscaping, Inc.

Flagship Landscaping, Inc. was born four years ago when Nicholas Flagg, computer technology sales professional, followed his heart and pitched his job for a landscaping career. Two years later, the business had grown to a size where Kelly Flagg was able to jump ship and join the Flagship team. The firm provides both residential and commercial installation and maintenance to most of Southern Maine. Flagship Landscaping developed an innovative way to form ongoing customer relationships by offering individual homeowners the same "budget" contracts that most companies only offer to larger condominium associations and commercial properties. This allows Flagship's residential clients to choose which services they want throughout the year and pay one set monthly price, regardless of the season and services received. Has this unique approach worked? Yes, according to Kelly, who told us, "Business is wonderful! We're growing according to plan and after this summer season, we're going to focus on our operations and try to keep the same size workforce but streamline things to be more efficient." The most gratifying part of the business is installation work. Kelly noted, "There's nothing better than installing a rock wall or landscape design and having the customer look like they want to hug you because they're so happy." Kelly offered a number of suggestions on how landscaping can help people save the environment or save energy, and even save money. Please see the energy article on page 1. Kelly Flagg can be reached at 671-7376 or [kelly@flagshiplandscaping.com](mailto:kelly@flagshiplandscaping.com).



### Budget Blinds of Portland

Ever wondered if it's really worth it to own a franchise business? Ask Peter and Karen Glass, who are starting their third year of success with Budget Blinds of Portland (serving Greater Portland area and Southern Maine)--the first Budget Blinds franchise in Maine. "Peter and I really enjoy being part of the Budget Blinds family," Karen told us. "Budget Blinds is a franchise industry leader in franchisee support and relations. In 2005, Budget Blinds reached a milestone when they sold the 1,000th franchise, and only 4% of franchise organizations have reached this mark, including fast food." Karen reported that their business is going great. In fact, Budget Blinds of Portland is the #2 franchise in the Northeast for sales. In their second year, they enjoyed 45% growth and are currently tracking for 20% growth in 2006. Why are they doing so well? Karen mentioned several reasons. "We have something for everyone, from standard shades for under \$50 to high-end custom draperies or shutters. We visit our customers' homes and businesses and discuss how they use their spaces, their likes and dislikes, and their personal styles. We have a key role in determining functionality for improved living and creating the 'Wow Factor' everyone dreams of. The best indicators of our success are the repeat customers (including homeowners, home builders, commercial developers, and interior decorators) and referral sales we enjoy." Karen also noted that window treatments are a great investment! (See energy article on page 1.) You can reach Budget Blinds at 797-7651 or [www.budgetblinds.com/portland](http://www.budgetblinds.com/portland).



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