



3rd Quarter 2006

## Security Breaches and Your Personal Information: What you should know and what you can do to protect yourself.

In May and June of 2006 alone, major security breaches affected millions of people throughout the nation, including here in Maine. For example, a lost computer tape that contains nationwide information possibly affected about 188,000 student loan customers of Nelnet, Inc. At Ohio University, the Chief Information Officer resigned and its director of computing and network services was suspended following multiple data breaches that compromised 367,000 personal records. And the biggest breach on record was the United States Department of Veterans Affairs' report in early May that a laptop containing the private information of over 26.5 million military veterans had been stolen from a VA employee's home. The laptop has since been recovered, but no-one can confirm that the data wasn't compromised.

Nearly 90 million total records containing sensitive personal information have been involved in security breaches since ChoicePoint announced its data breaches in February 2005.<sup>1</sup> New incidents are reported each month, affecting Social Security numbers, financial records, medical records and other personal information—bringing identity theft to a whole new level.

### What can you do if your personal information has been compromised?

First, you can expect to be notified. Many states have followed the California Security Breach Information Act (SB-1386) of July 2003, a state law requiring organizations to inform individuals if the security of their information is compromised. Maine's LD 1671, signed on June 10, 2006 and effective January 31, 2006, is not quite as robust because it covers only information brokers, not actual organizations. But it's a start. It requires "notice of a breach of the security, confidentiality, or integrity of unencrypted, computerized, personal information to residents of the state;" and provides civil penalties for violations. And while companies can opt to only inform residents in states with security breach laws, most are reportedly "doing the right thing" by informing all customers, no matter where they live. Congress is also getting into the act with discussion of a national law.

Second, if your personal information is compromised, it

## Run a 2006 projection now and avoid year-end tax surprises

With just one quarter left to tax year 2006, it's an excellent time to take stock of your business and personal earnings and run a projection of your anticipated taxes. This can help you in several ways:

- With stocks performing at mixed levels this year, your capital gains might not be as high, so your taxable income might be lower and your quarterly estimates could be adjusted.
- If you notice something in your books that is not in order for year-end 2006, you can take corrective action now instead of during December.
- You can plan now for the consequences of a significant change in income.
- You'll have time to plan your deductions accordingly to make sure you pay the least amount of taxes for 2006.
- You can plan for and set up a retirement plan for 2006. Tax law changes may effect which plan is right for you.
- You'll know your tax balance owed and can start setting aside the funds now.
- You can pre-pay some or all of your state taxes before December 31st and possibly save on the Federal taxes you owe next April.

Avoid the stress of any year-end surprises! Call your Honeck•O'Toole accountant to run a projection and help you make adjustments if necessary.

### HOW TO REACH US



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Please visit our new website:

[www.honeckotoole.com](http://www.honeckotoole.com)

## ◀ SECURITY BREACHES continued

doesn't necessarily mean you'll become an identity theft victim. In other words, you don't need to automatically close all your bank accounts and credit cards.

### Here's what you can do to reduce your risk of fraud.

- **Take a good look at your credit report and address any discrepancies.** It's available at no cost at [www.annualcreditreport.com](http://www.annualcreditreport.com), the official site established by the three national consumer credit reporting companies, Equifax, Experian and TransUnion. Contact the fraud department at one of these companies directly if you have questions, find errors, or feel you should report a fraud alert (the company you contact will notify the other two).
- **Look carefully at all your bank and credit card statements, and report any fraudulent activity.** One of our clients recently found a Hurrydate monthly subscription fee on her credit card bill. She hadn't signed up for this service and isn't even dating! She called Hurrydate and discovered that someone else used her account number to sign up. The credit card company issued her a new account number and cancelled the old one, and Hurrydate reimbursed the charges. Another client of ours experienced a breach of their bank account information. They

had to change their account. (See *Client Profiles* on the back page.)

- **Pay attention to "junk" mail.** You could possibly receive credit cards in the mail that you didn't apply for, or debt collection notices for accounts you didn't open.
- **Shred all financial papers you don't keep, including credit card offers.** This way, no-one can pick through your trash and send in a credit card offer using a "change of address."
- **Consider buying identity theft insurance.** Many insurance companies offer insurance policies that cover identity theft-related attorney bills, lost wages, loan reapplication fees, and notary, phone, mailing costs and more.
- **Call your bank and/or credit card company if you're concerned.** They can check your account records, print out recent activity, and stop payment on any fraudulent checks.
- **Take action if you believe you're a victim of identity theft or credit fraud.** There are a number of steps you can take to rectify the situation as quickly as possible. The Federal Trade Commission's identity theft web site, [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft), is a great place to start. (Please see our related articles on "phishing" and tax breaks for loss of property due to theft.)



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## SECURITY BREACH ROSTER

### A few of the hundreds of security breaches that may have affected Mainers<sup>1</sup>

Bank of America	Lost backup tape 1,200,000 records
Ameritrade	Lost backup tape 200,000
U.S. Dept. of Justice	Stolen laptop 80,000
CitiFinancial	Lost backup tapes 3,900,000
Air Force	Hacking 33,300
Boeing	Stolen laptop 161,000
Ford Motor Co.	Stolen computer 70,000
Marriot International	Lost backup tape of time-share owners 206,000
H&R Block	Social Security Numbers printed on mailing labels Unknown
Boston Globe	Credit/debit card information printed on recycled paper used in newspaper bundles 240,000
Fidelity Investments	Stolen laptop of retirement account customers 196,000
U.S. Marines	Lost portable drive with re-enlistment bonuses 207,750
Wells Fargo	Stolen computer containing existing and prospective customers Unknown
American Red Cross, St. Louis	Dishonest employee access to Social Security numbers of donors 1,000,000
YMCA (Providence, RI)	Stolen laptop containing personal information of members 65,000
American Insurance Group (AIG)	Stolen computer server containing personal information, medical records 930,000
U.S. Navy	Civilian web site contained personal information on Navy members, dependents 30,000
Automated Data Processing (ADP)	Payroll service company leak "Hundreds of thousands"
American Institute of Certified Public Accountants (AICPA)	Lost unencrypted hard drive with member information 330,000

<sup>1</sup> Sources: [www.privacyrights.org](http://www.privacyrights.org), Security Beat ([www.numbrx.net/](http://www.numbrx.net/))

## DEDUCTION FOR ID THEFT LOSS

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### The IRS Offers Tax Deduction for Losses

If you've been the victim of identity theft and have incurred a loss as a result, the Internal Revenue Service may offer some relief. Taxpayers who experience certain types of "major personal casualties," including loss of property due to theft, may be able to recoup some of their losses through tax savings—if they qualify under the IRS guidelines. According to the IRS, "a theft is the taking and removing of money or property with the intent to deprive the owner of it. The taking of property must be illegal under the law of the state where it occurred and it must have been done with criminal intent."

The qualifying loss figure can be a complicated and confusing calculation. For instance, if you have insurance that would cover such a loss, that coverage

would of course be deducted from your loss. Then the IRS guidelines include a \$100 loss reduction per event. Third, after combining your losses (if more than one loss occurred and the above considerations were deducted), the IRS would require you to reduce the losses by 10% of adjusted gross income. Since only the loss amount above this "floor" can be deducted, this may wipe out any amount you could have claimed for tax savings.

Please contact us if you've been a victim of identity theft and have experienced a loss. We can review the IRS's qualifying factors with you and calculate the necessary deductions to determine whether or not you can claim the loss for tax savings on your tax return.

## PHISHING ALERT

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### Watch Out for E-Mails That Have "Gone Phishing"

You've just received a legitimate-looking alert from your bank. It includes the official bank logo and looks like your bank's Web site. The message says:

*"We suspect an unauthorized transaction on your account. To ensure that your account is not compromised, please click the link below and confirm your identity."*

**Never reply to these e-mails!** They're part of a scam called "phishing," where fraudulent businesses pose as legitimate organizations and send you an alert asking for your credit card numbers, bank account information, Social Security number, or other sensitive information to "verify" your account.

Honeck•O'Toole's John Baldwin, CPA, noted, "This is a very serious issue. Every day across the country, thousands of people lose money as criminals steal their identities and run up bills."

The Federal Trade Commission (FTC) suggests these tips to help you avoid getting hooked by a phishing scam:

- If you get an email or pop-up message that asks for personal or financial information, delete the email without opening it.
- Use anti-virus software and a firewall, and keep them up to date.
- Don't email personal or financial information. Email is not secure.
- Review credit card and bank account statements as soon as you receive them to check for unauthorized charges.
- Forward spam that is phishing for information to [spam@uce.gov](mailto:spam@uce.gov) and to the company, bank, or organization impersonated in the phishing email.

Visit [ftc.gov/spam](http://ftc.gov/spam) for more information on deceptive e-mails and identity scams.

## 529 PLAN ADVICE

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### Parents of College-Bound Students Beware!

As many parents and grandparents know, a Section 529 Plan can be set up for their college-bound children and grandchildren, allowing money to go into a qualified tuition program account and grow tax-free to benefit the student. When the student goes to college and it's time to take the distribution, the student gets the money, even with the earnings, tax-free for qualified higher education expenses.

However, the earnings on your child's 529 Plan may be taxed if you're not careful.

Here's the problem we've heard about from some of our clients recently. While the parent or grandparent is the owner of the 529 Plan account, the child is the beneficiary. This means that if the distribution check is

written to anyone other than the student or the qualifying school, the owner receives a Form 1099 from the plan for the earnings portion of the distribution. The IRS then expects her or him to include it on their 1040 as taxable income for the year in which the distribution is received, regardless of whether the proceeds are used for education or not. The broker who originally sold you the plan may not even be aware of this.

### What can you do to avoid taxes on the distribution?

When you, as the account owner, call your 529 Plan administrator to have a distribution made, be absolutely sure you ask to have the check written out directly to the student or the school. And of course, make sure the school is a qualifying higher education institution under the Section 529 Plan guidelines.

## CLIENTS PROFILES & NEWS

### d. cole jewelers

Dean and Denise Cole are celebrating 25 years of success as a preeminent jeweler in Portland's Old Port district, and they couldn't be more thrilled. Denise told us, "We're very fortunate that we continue to grow and prosper, even in unsettled times." The store has expanded twice since it first opened at 10 Exchange Street, growing steadily while other businesses have come and gone. What's the secret to their success—why they've remained a fixture in Portland? "We focus on handcrafted jewelry from artists around the country, including our five on-site jewelers. Plus we offer exceptional customer service and extremely fair prices. We are a true family-run business, where a family member is always in the store." The on-site artists are always available to create a custom-made item based on the customer's wishes. When we asked Denise what they love most about their business, she answered, "The wonderful people who visit our store everyday! When people come in, most of them are celebrating a special occasion, such as an engagement, wedding, anniversary, birthday and even someone's first earrings." To reach Denise or Dean Cole, call 772-5119. Or visit their store to browse through the breathtaking variety of gold, silver and gemstone jewelry. You may even discover a special piece for yourself or someone in your life.



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### Pam Foster, marketing copywriter, Foster Communications



**Pam Foster**  
Senior  
Copywriter &  
Sales Catalyst

Pam Foster is also celebrating a 25-year milestone. Since 1981, her copywriting services have helped many organizations gain and retain customers in both business-to-consumer and business-to-business arenas. Her Maine clients have included Honeck•O'Toole, L.L. Bean, IDEXX Laboratories, Bangor Hydro, Downeast Energy, Blue Cross Blue Shield, Hannaford Bros. Co., several banks and the American Cancer Society. In July, Pam transitioned her career from full-time corporate staff member to full-time freelancer, with the market position of being a "uniquely strategic" senior copywriter and sales catalyst. This means she helps clients determine the best way to reach their target audiences and achieve sales goals through benefit-driven messages that demonstrate how a product or service can uniquely solve the

audiences' greatest needs. While she's written for every type of marketing media there is, Pam's focus and expertise are in direct response, newsletters (including this one for the past eight years!) and Web site content. Her work has been recognized through more than 100 awards. One client recently said, "Pam helps my business by thinking on her feet, using great problem solving skills, and integrating the marketing purpose with spot-on copy and design direction!" Samples of her Web copywriting can be found at [www.idexx.com](http://www.idexx.com), [www.primroseschools.com](http://www.primroseschools.com), and [www.honeckotoole.com](http://www.honeckotoole.com). You can reach Pam at 207-510-1565 or [pam@pamfostercopywriting.com](mailto:pam@pamfostercopywriting.com).

### Congratulations to Beth Stickney, 2006 MCLU Award Winner!

Beth Stickney, attorney and co-founder/Executive Director of the nonprofit Immigrant Legal Advocacy Project (ILAP), received the 2006 Maine Civil Liberties Union (MCLU) Justice Louis Scolnik Award this spring. This award acknowledges outstanding work in civil liberties by a Maine lawyer. The MCLU reported that Beth received this award for "her incredible work serving Maine's immigrant community." The ILAP offers attorney consultations, immigration application assistance, free or reduced-cost legal services, education and training. Beth has specialized in immigration law and human rights work for twenty years.

### Flagship Landscaping cautions everyone regarding business account security breaches

Kelly Flagg of Flagship Landscaping told us that her husband had recently purchased a computer item online using their business debit card, from a Web site they hadn't used before. Soon after that, strange debits appeared on their checking account. Kelly said, "We got a call from our bank saying there was a \$7,500 debit...and then a \$7,700 debit. We ended up having to close all our accounts—business and personal—and start over with new accounts." The thefts occurred from Great Britain, with transactions noted as "google-[something].com," a fraudulent site appearing as Google. The Flaggs had to be quite persistent with the bank in getting their money back. Kelly said, "We discovered that the rules for business accounts are very different from personal accounts. Debit card fraud protections aren't automatic. It was a real eye-opener for us." Lesson: check the business account fraud policies of your banks and credit card companies.

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