



3rd Quarter 2007

## Honeck•O'Toole Celebrates Its 25th Anniversary!

Thanks to our hundreds of clients—our firm has enjoyed 25 years of doing what we love and running a successful business in Southern Maine. Please join in our milestone celebration by considering this collection of 25 lessons we've learned over the past quarter century about life, taxes, money, business, floods, and working with a diverse and fascinating group of clients. Thank you very much for being a part of it! **Jane, Janet & Peter**

- 1) Count on change—you won't be disappointed.
- 2) Relax. You won't die or be sent to prison from having "bad" finances!
- 3) Don't panic when you get an IRS notice. It doesn't mean you're being audited. It just means they need more information.
- 4) Don't cross the bookkeeper. That is a sure ticket out the client's door.
- 5) Tax season is not for the faint-hearted. It builds character! (And gray hair)
- 6) The answer to all tense situations: Breathe!
- 7) If you make money, you will pay taxes. It really is better than having losses—trust us!
- 8) No one likes surprise tax balances due...especially us.
- 9) When having to make difficult choices, choose what you will remember 5 years from now.
- 10) You can't survive tax season only on M&M's, coffee, and pizza (although many have tried).
- 11) Our clients have been our biggest assets. They are the reason for our success in the last 25 years.
- 12) Check your financial situation at least four times a year so you don't have any unpleasant tax surprises in December.
- 13) Never underestimate the value of your accountant when you're buying or selling a business. Years of experience in

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## Honeck•O'Toole: Then, Now and Tomorrow

As you can imagine, many things have changed since we were founded in 1982. Just think of the way business was conducted back then. Most of us didn't have fax machines or Word processors yet, and FedEx overnight delivery service was in its infancy. E-mail, the Internet, and a networked PC on every desk didn't even exist for day-to-day business.

So how did we manage to run profit and loss statements, calculate tax returns, track deductible expenses, analyze stock performance and communicate with clients? We did it the old-fashioned way, with sharp pencils, paper spreadsheets, gigantic reference books and snail mail. And it worked somehow.

- For tax returns, we started out creating "input sheets," which were then sent to Texas for review. We would meet the airplane when the documents were sent back to us because the filing deadline was looming. We'd use Wite-Out® to make changes, and then we'd photocopy the sheets with a lined overlay placed in the photocopier, so the numbers would have lines under them.
- If a client wanted us to run a financial analysis, we'd pull out a big red book and look up the pertinent factors. If a client wanted to know about a particular stock, we'd have to call the company issuing the stock and ask for a prospectus to be mailed. Then we'd wait a month for it to arrive.
- Nothing was reported to the IRS except income. This meant that tax returns were much less complicated.
- However, if a client needed to report stock dividends, we'd pull out the giant Moody's book, look up "dividend paid per share," calculate the client's shares and write them into the tax return. We repeated this process for every dividend, for every client.
- There were no Excel spreadsheets at the time. We used 14-column paper sheets and allocated figures in each column by pencil. If we made a mistake back in one column and didn't discover it until several columns later, we erased everything by hand and started back at the original error. We remember our desks

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## ◀ ANNIVERSARY LESSONS continued...

all aspects of managing a business can be very valuable in this process.

14) When it comes to tax strategy; pigs get fat and hogs get slaughtered!

15) A high tide floats all boats and sometimes the office pier, too.

16) "The way taxes are, you might as well marry for love." (by Joe E. Lewis)

17) It's never as easy as it looks. Something always gets in the way. Just plan on this and everything will be OK.

18) Money doesn't have to be mysterious. Become a student of money—read everything—and you'll have more control over it.

19) Any successful person knows that good expert ad-

vice is worth more than what they pay for it.

20) Our client's interests, experience, education, and expertise is in their own businesses and not in accounting—that's why they're not accountants, but we are.

21) Taxes are inevitable...but if you have a great accountant, deductions are inevitable too!

22) Taxes don't scare me. I raised teenagers. Now that's scary.

23) QuickBooks is one of the best inventions ever in the history of accounting.

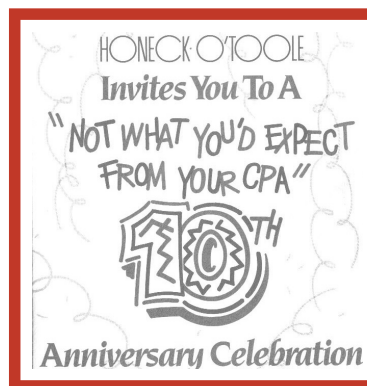
24) You're never too young to start saving for retirement, and you're never too old to catch up.

25) The day after you mail out a return is the day you get a corrected Form 1099. ■

### Our 1992 Anniversary Invitation



It seems like just yesterday that we were celebrating our 10th anniversary!



## ◀ ▲ WHERE WE WERE continued...

always being covered with eraser "crumbs"!

- To prepare business tax returns and deductions, we didn't have QuickBooks or other bookkeeping software. Everything was brought to us as loose receipts in shoe boxes or envelopes; and of course, on adding-machine tapes!
- Tax audits were much more common back then, and they involved personal visits from Mr. IRS, covering every single line of a return. Mainly this was because the IRS was running an agency-wide audit to understand how to conduct audits more efficiently in the future. The result? The number and type of audits were eventually reduced. Now, most audits are done through the mail.
- Since we had no answering machines, all of our missed client calls were noted on pink "While You Were Out" slips of paper, which piled up all over our desks.

- Jane bought her first business computer when she started Honeck•O'Toole. It cost her \$10,000. A year later, the firm bought a state-of-the-art time and billing system for \$40,000—the list price at the time. Today the same type of system would cost about \$1,500. That's one thing that has gone down in price over the years!
- Finally, back then, a CPA's word could help a client start a business. Business loans were approved through a handshake.

Today, everything is electronic and easier to manage. Thank goodness, because there's so much more information to process. Our plan for the future is to continue staying on top of changes in technology, tax laws, and financial industry developments, while of course, offering you the best service possible. ■

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## TAX CHANGES THROUGH THE YEARS



Just when you thought our newsletter couldn't get more exciting, we thought you'd be interested in how tax laws have evolved over the past 25 years—especially if you have benefited from any of the changes. Here are just a few of the highlights.

### 1982: Tax Hikes with a Promise?

In the Tax Equity and Fiscal Responsibility Act (TEFRA), a 10 percent withholding on dividends and interest paid to individuals was instituted, and the Federal Unemployment Tax Act wage base and tax rate was increased. President Ronald Reagan agreed to the tax hikes on the promise from Congress of a \$3 reduction in spending for every \$1 increase in taxes. (The promised spending reductions never occurred.) The Interest and Dividend Tax Compliance Act of 1983 repealed TEFRA's provision for withholding on interest and dividends.

### 1986: A Mixed Bag

The U.S. Congress passed the Tax Reform Act to simplify the income tax code, broaden the tax base and eliminate many tax shelters and other preferences. This Act:

- Removed deductions for interest on consumer loans such as credit card debt, and state and local sales taxes
- Increased incentives favoring investment in owner-occupied housing by increasing the Home Mortgage Interest Deduction
- Significantly decreased the value of tax shelters, especially for real estate (this may have contributed to the end of the real estate boom of the early to mid '80s as well as to the Savings and Loan crisis)

### 1990: "Read My Lips. No New Taxes."

The Omnibus Budget Reconciliation Act increased income taxes by creating a new 31 percent individual income tax rate. The gasoline tax, air transportation excise tax, and federal telephone excise tax were also extended and increased. Ironically, this Act was signed into law by President George H.W. Bush, counter to his 1988 campaign promise not to raise taxes.

### 1996 Taxpayer's Bill of Rights II

Congress enacted this law to curb IRS abuses in the administration of tax laws and tax collection.

- Taxpayers could bring a civil case for damages against a person who files a fraudulent information return.
- Interest abatements were allowed if tax payments were delayed by unreasonable mistakes or delays by IRS employees.
- A taxpayer advocate was instituted to assist taxpayers in their dealings with the IRS.

### 1997 Taxpayer Relief Act

This Act reduced several federal taxes. The top capital gains rate fell from 28% to 20%. A \$400 tax credit for each child under age 17 was introduced. The act exempted taxing profits on the sale of a personal residence of up to \$500,000 for married couples and \$250,000 for singles. The act also provided tax relief for education savings and retirement accounts.

### 1998 The IRS Gets Restructured

The Internal Revenue Service Restructuring and Reform Act included numerous amendments to the Internal Revenue Code:

- Individuals were allowed to deduct interest expense paid on certain student loans.
- The holding period for long-term capital gain treatment was changed from eighteen months to twelve months.
- The Act created an IRS oversight board to ensure, among other things, that taxpayers are properly treated by IRS employees. (The term "illegal tax protester" was barred.)

### 1998 Taxpayer's Bill of Rights III

Sweeping protections and rights were further enacted into law and included these taxpayer-friendly items and many more:

- The IRS shall have the Burden of Proof for any court cases regarding taxpayers
- Relief for innocent spouses was easier to obtain
- Suspension of interest and certain penalties if the IRS failed to contact the individual taxpayer

### 2001 Big Changes for Retirement Planning, Capital, Gains and More

The Economic Growth and Tax Relief Reconciliation Act made significant changes, including income tax rates, estate and gift tax exclusions, and qualified and retirement plan rules. In general, the Act lowered tax rates and simplified retirement and qualified plan rules for IRAs, 401(k) plans, 403(b), and pension plans. The changes were so extensive that many books and analysis papers were published about how to take advantage of them.

### 2002 Help for Business

The Job Creation and Worker Assistance Act dramatically affected a company's federal tax payments, capital budgeting decisions, and borrow-to-buy versus lease decisions. The two critical provisions were:

- First-Year, 30% Bonus Depreciation for business equipment, computer hardware and most software
- 5-Year Carryback of Net Operating Losses (NOLs)

### 2003 Jobs and Growth Tax Relief with a More Complex Tax Code

This Act accelerated certain tax changes passed in 2001, increased the exemption amount for the individual Alternative Minimum Tax, and lowered taxes of income from dividends and capital gains. Income became differentiated into greater categories, which increased tax code complexity.

### 2006 Extending Reductions beyond the Original Expiration Dates

The Tax Increase Prevention and Reconciliation Act prevented several tax provisions from sunsetting in the near future. The two most notable are the extension of reduced tax rates on capital gains and dividends and the extension of the alternative minimum tax (AMT) tax reduction. ■

*Edited from sources: [http://en.wikipedia.org/wiki/Template:US\\_tax\\_acts](http://en.wikipedia.org/wiki/Template:US_tax_acts) and <http://www.cato.org/pubs/journal/cj14n3-1.html>*

## WELCOME TO OUR NEW TEAM MEMBERS

Honeck•O'Toole is growing again! Meet our newest team members.

### **Kelly Busby**

Kelly joined us as a junior accountant in early July, coming from Dargis & Busby, P.A. in Biddeford. Kelly graduated from the University of Southern Maine's accounting program in 2002 and the University of Maine School of Law in 2005, where her focus was on taxation, business planning, and estate planning. She passed the Maine Bar exam in July 2005. After a short time in the legal profession, she returned to accounting. Kelly is excited to be joining Honeck•O'Toole, assisting with many different tasks and developing long-term relationships with clients. She lives in Biddeford and enjoys outdoor activities in the summer. In the winter, working as an accountant will keep her busy!

### **Lauri Swain**

Lauri is our new senior tax accountant, a role she previously had at Baker, Newman & Noyes for 4 years after being a stay-at-home Mom for 8 years. Before children, Lauri worked at Shaw's Supermarkets for 14 years. She has a BS in Economics and Mathematics and a minor in Accounting. At Honeck•O'Toole, she is preparing and reviewing individual and corporate returns and financial statements, as well as advising clients on financial matters. She looks forward to working closely with clients. Lauri lives in Cape Elizabeth with her two sons, Jacob and Zachary. She enjoys outdoor activities and she volunteers at her church and in the community.

### **Rick Guillerault**

As Rick joins our firm as a senior tax accountant, he caps a 30-year career comprised of industrial, teaching, and public accounting positions. Having been in Controllorship positions for over 20 years, gives Rick a deep knowledge of the challenges and opportunities that face companies. A Maine native, educated at local schools; USM, New Hampshire College, and Bentley, he has earned both MBA and a MST degrees. He is a CPA and a CMA along with a number of other professional accounting designations. Rick lives in Sanford. ■

## 25-YEAR CLIENT COMMENTS

Many of you have been with us for a long time, and our team is delighted that you are with us today. Here's what a few of our clients had to say about being with us all this time.

"My husband Roger was with the firm from the beginning. We're both still with Honeck•O'Toole for our personal accounting, and Roger also uses the firm for his art business, [www.rogerwilliamsfineart.com](http://www.rogerwilliamsfineart.com). They have saved us a ton of money over the years. And while Honeck•O'Toole has certainly grown, we always feel like it still offers a very personal touch. You don't feel like you get lost in the shuffle of a big accounting firm."

**Jane Williams, Burgess Advertising & Associates**

"No one is more important to a lawyer than the accountant who handles the finances, bookkeeping and taxes for the law firm and its clients. It's the ultimate symbiotic relationship in the worlds of business, law and finance. Words like integrity, trust and competence come to mind when I think about Honeck•O'Toole. There aren't enough words of praise to describe this group of professionals, but I do have four words that summarize my 25 years of experience with them: Thank you so much."

**Terry Snow, Attorney at Law**

"I've been a client of Jane's since she was an intern. I went to get help with my taxes and have never needed anyone else. I am impressed with how smart and very thorough everyone is. I've stayed with them ever since and that has been tremendously satisfactory. I hope they're here for another 25 years!"

**Peter Kelly, Psychiatrist**

"I started with the firm in 1993. They set me up, and the team has guided me along the path all these many years. I have grown and evolved under their watchful eye. Now I'm working with Joyce, and she certainly knows her stuff. They're very good about taking the time to explain things and keep me on the right track. I wish them another successful 25 years and I look forward to growing with them. Congratulations—job well done!"

**Judy Parker, Tavecchia Apparel & Accessories ■**

# HONECK • O'TOOLE

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## INSIDE

**25TH  
ANNIVERSARY  
ADDS UP!**