

## Happy Holidays

Everyone here at Honeck • O'Toole wishes you and yours a joyous holiday season and a very prosperous new year!



4th Quarter 2005

HONECK • O'TOOLE   
...where people count


revenue 

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


### Year-End Tax News You Can Use Now and in 2006!

Recent tax law changes may affect your tax return and deductions this year and next. The following partial list of changes is provided by RIA, an accounting firm information resource. Please call us if you'd like to discuss these changes and the implications they may have for your tax situation.

► **The Energy Tax Incentives Act of 2005** includes a number of incentives for consumers to buy energy-efficient assets, and for manufacturers and builders to provide them. Here's a brief summary:

**New tax credits for the purchase of cars using hybrid, fuel cell, advanced lean burn and other alternative power.**  The size of the credit varies depending generally on the weight class of the vehicle and the rated fuel economy. The credit applies to vehicles placed in service after 2005, with termination dates varying with the type of alternative power vehicle. Additionally, the Code Sec. 179A deduction for certain clean fuel vehicles and refueling property sunsets after 2005 (instead of after 2006, as under pre-Act law).

**New 30% tax credit for the purchase of qualifying residential solar water heating, photovoltaic equipment, and fuel cell property.** The maximum credit is \$2,000 (for solar equipment) and \$500 for each kilowatt of capacity (for fuel cells). The credit applies for property placed in service after 2005 and before 2008.

 **New 10% personal tax credit for energy-efficient improvements to existing homes.** The lifetime maximum credit per taxpayer is \$500 and applies for property placed in service after Dec. 31, 2005 and before Jan. 1, 2008.

**New business tax credit for contractors for the construction of new energy-efficient**

**It's not too late for Honeck • O'Toole to help you with your 2005 year-end tax planning.** Call us immediately if you had any major financial transactions or significant changes in your income.

### 2005 Reporting Obligations

**1099s must be filed by 1/31/2006.** A 1099 form must be filed under the following:

- If your business paid \$600 or more to individual vendors for non-employee services
- If your business paid a land-lord rent totaling \$600 or more
- Any amounts paid to attorneys

NOTE: Form 1096: Annual Summary and Transmittal of U.S. Information Returns and a copy of each Form 1099 must be filed with the IRS by 2/28/2006.

**W-2 Forms and Year-End Payroll Statements must be sent to employees by 1/31/2006.** Each of your employees (and the IRS) must receive a year-end statement of their total wages and deductions. This includes payments made for personal use of a business car, shareholders' health insurance premiums (if you're an S Corporation), etc. Your payroll service can prepare these statements for you. If you don't use a payroll service, we can help.

**Sales and Use Tax.** If your business purchased business items in tax-free New Hampshire or through a catalog, you are required to report these purchases on the Maine Sales & Use Tax Form. Call your accountant for more details on this requirement.

**OPTIONAL: Pre-pay part of your tax prep fee for a 2005 deduction.** Honeck • O'Toole has mailed you a 75% pre-bill of your estimated 2004 tax preparation fee. If you pay this before December 31, 2005, you may be able to deduct it as a business expense or miscellaneous deduction on your 2005 tax return. Again, this is optional. ■

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**homes.** The credit is either \$2,000 or \$1,000 per home, depending on the type of home and the energy reduction standard it meets. The credit applies to homes whose construction is substantially completed after Dec. 31, 2005, and which are purchased after Dec. 31, 2005 and before Jan. 1, 2008.

**New deduction for energy-efficient commercial buildings meeting a 50% energy reduction standard.** The deduction (generally \$1.80 per square foot, but 60¢ per square foot in some cases) is effective for property placed in service after Dec. 31, 2005 and before Jan. 1, 2008.

▶ **The Act replaces ETI with a new deduction for U.S. domestic production activities.** The deduction is a percentage of the net income from those activities—3% in 2005-2006, 6% for 2007-2009, 9% after 2009. When fully phased in, the deduction is designed to be economically equivalent to a 3% reduction in the tax rate on

U.S.-based production activities. The amount of the deduction for any tax year may not exceed 50% of the employer's W-2 wages for that tax year. The deduction is available to all taxpayers with qualified production activities income, and it is allowable in computing AMT income.

This is a complex calculation, but well worth exploring if you're involved with leasing or selling qualifying production property; producing qualified film; producing electricity, natural gas, and potable water; performing construction in the U.S.; or performing engineering and architectural services. We'd be glad to help you determine if this deduction applies to you and what you need to provide with your tax return.

▶ **New mileage rates became effective on 9/1/05.** The rate for business mileage is \$.485 per mile (up from \$.405); medical/moving mileage is \$.22 (up from \$.15) and the IRS is proposing to change charitable mileage from \$.14 to half of the business mileage rate. ■

**HOW TO REACH US**  
T: 207 · 774 · 0882 ★ F: 207 · 773 · 2047  
[www.honeckotoole.com](http://www.honeckotoole.com)  
[info@honeckotoole.com](mailto:info@honeckotoole.com)



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## New Passport Rule

### Passport, Please...

The State and Homeland Security departments established a new passport rule in 2005, adding countries that were previously "passport-free" zones for U.S. citizens. The rule's first phase, which takes effect on December 31, 2005, will require passports when traveling to or from the Caribbean, as well as Central and South America. Phase two adds Mexico and Canada to the list, effective Dec. 31, 2007.

Remember, it can take up to six weeks for passports to be expedited—so you'll want to apply right away if this new rule affects you. Passport applications are available at the main post office location on Forest Avenue in Portland. For complete details visit [www.travel.state.gov](http://www.travel.state.gov). ■

## New Staff

### Welcome Doug Chene, CPA!

Our new Senior Accountant/Manager has an extensive career in finance and accounting, including private industry experience, eleven years as a college professor, and eight years in public accounting. Doug specializes in tax return preparation, research and planning for small business clients. He holds degrees from Thomas College (Master of Science in Taxation), and from the University of Michigan: A.B. in Anthropology and Music, and Master of Public Health.

He moved to Portland from Chicago in 1995. Doug is delighted to be joining Honeck•O'Toole because he looks forward to "Working with the great people at this firm and helping clients to achieve their financial goals." Outside of work, Doug enjoys spending time with his wife Jenny and son Nate, coaching youth soccer, and listening to classical music (primarily chamber music).

## College Financing Alert!

If you're the parent of a college-bound high school student, here's an important tip that could save you a ton of money when applying for financial aid.

### **Talk to an expert during your child's SOPHOMORE year so you can prepare to make changes in your finances for next year.**

Why? Because financial aid decisions are based on your family's tax returns during the student's JUNIOR year. You may be surprised to learn that your savings accounts, assets and family situation can make a huge difference in how your student is considered for aid. For example, if you're divorced and you're thinking about getting married again—hold off until your student is a junior in college.

This may sound crazy, but you could lose tens of thousands of dollars in financial aid for your child if you get married now...because a stepfather's income is required on the financial aid application.

This is just one of many factors that could affect financial aid. Find out now, while there's still time to do something about it. Two of our clients can get you started: Jeff Morrison at College Solutions ([college@maine.rr.com](mailto:college@maine.rr.com)), and Bob Gilpin of Time Out Associates ([gilp@whereyouheaded.com](mailto:gilp@whereyouheaded.com)). We'll gladly work with you to make any recommended adjustments. ■

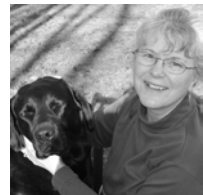
## Clients in the News

### **Becker Structural Engineers, Inc. Celebrating their 10th anniversary!**

The DHS office building on Marginal Way in Portland. The Pineland Campus renovation in New Gloucester. The Lecture Hall at the University of New England Portland campus. The Waynefleete School Art Center. If you've driven by these buildings, you may have admired them, but you probably never considered the teamwork involved in creating these impressive projects. The structural engineering firm behind these buildings is Becker Structural Engineers, Inc. of Portland. Founder Paul Becker and new co-owner Todd Neal have built a successful practice by providing creative and efficient solutions for their engineering projects. The firm works with architects, contractors, developers and fabricators throughout New England. Their work designing contemporary buildings is complimented by their experience with historic structures and parking structures. Paul Becker told us about their approach to engineering projects. "Our commitment to our clients is foremost. We are a service-oriented company and try to add value wherever possible. We invest heavily in staff education and embrace new technologies to improve and refine our designs, create efficiency and foster innovation." Another way they add value is by expanding their services. Todd Neal is developing an area of practice in the design and maintenance of parking structures. "Most new structures built in any major city have a parking component. We can provide our clients a greater value and better project by offering the design of buildings and garages." said Todd. So remember—the next time you see the steel skeleton of a new building or garage being erected, it may have been designed by Becker Structural Engineers! To see their work, visit [www.beckerstructural.com](http://www.beckerstructural.com).

### **Purr-fectly Pawed Small Animal Massage**

Animals want you to know that they can experience soft tissue damage in their daily lives, just as people do. And Ginny Libby wants you to know that therapeutic massage can provide significant relief, stimulate healing, reduce stress and boost the immune system for these animals. She recently founded Purr-fectly Pawed, a hands-on animal wellness service in Nobleboro. "I love animals and I can make a difference in their health through touch," said Ginny, who explained how her service works. "During the initial appointment, I collect a medical history and get to know the animal. I usually go to the pet's home because I want to work in the animal's comfort zone. Depending on the animal's issues, behavioral or physical, I start first with a hands-on scan of the body and then work on the specific issues." Animal massage is a new business concept in Maine, although it's very popular in other states and was recently featured on the Today Show. Ginny is Maine's only small-animal massage therapist with 200 hours of training. If you're thinking, "Does it really work?" you're not alone. "People can be skeptical until they see how animals respond," noted Ginny. "My best experience so far concerns Brandy, a rescue Chesapeake Retriever. When I met her in 2004, she could barely walk and the "light" had gone out of her eyes. Then she fell and stopped walking altogether. Brandy was put on a diet, massaged regularly by me and given pain medicine. As we worked together, she became more flexible and stronger. Brandy now not only walks, she runs! She will never have a perfect alignment of her legs, but she has a functional life again!" To learn more about Purr-fectly Pawed, call Ginny Libby at 563-7505.



### 'Cue Culture Sauces and Seasonings



If you haven't heard about the fabulous new barbecue sauce business called 'Cue Culture, you haven't been reading or watching the news lately! 'Cue Culture BBQ sauce has been featured everywhere—from the Portland Press Herald...twice...and WCSH-TV's "207"

show, to BBQ Sauce of the Month.com, affiliated with the Food Network. We caught up with 'Cue Culture chef and owner Wayne Tuohey and asked him, "Why all the buzz about your zippy new sauce?" He told us, "In addition to selling the products, our demonstration efforts in stores and at events have introduced 'Cue Culture to many people who have had the opportunity to sample our products. We take care to blend traditional flavors and aromas in ways you might not expect. Also, our philanthropic orientation – especially our tag-team approach with Habitat for Humanity – has put us in the spotlight." Wayne creates the barbecue products in small batches. A Press Herald article recently reported, "Tuohey started his business about two years ago to test the sauce he'd been making and giving away for years. Since making his debut at the Old Port Festival in 2004, he has sold his Apricot Habanero Rum Sauce, Cherry Bourbon Sauce, Carolina Vinegar Sauce, BBQ Rub and Seafood Seasoning in retail stores and at NASCAR races in Loudon, N.H., the Maine Brewer's Festival in Portland, the Cumberland Craft Fair and the Maine Highland Games in Brunswick." In September, the company launched its new special edition Texas-style Raise the Roof barbecue sauce in conjunction with Habitat for Humanity's 20th anniversary fundraising bash. Sold in retail stores and on the web, 'Cue Culture donates a portion of revenue from sales of each bottle to Habitat for Humanity. For more information about 'Cue Culture sauces and where you can purchase your very own supply, visit [www.cueculture.com](http://www.cueculture.com) or call 229-1161.



### Great East Dental Associates

Imagine lying back in a heated back-massage chair and watching a Hollywood blockbuster while you receive an innovative, pain-free dental treatment. Or smelling freshly baked bread and cookies when you wait for your appointment...and getting a warm, moist facecloth to soothe you at the end of your visit. And the dental work? Outstanding. All of this is offered at one of the country's most progressive dental practices located in Springvale, Maine. Dentist Frederick Rosenberg of Great East Dental Associates takes great pride in offering the latest technologies and ultra-safe treatments to their patients. For example, he and his team offer air abrasion, also known as "drill-less dentistry" using a fine spray of particles and air to remove decay—reducing the need for an anesthetic. They use computerized imaging to show patients a "before and after" view of what cosmetic dentistry might look like on their teeth before the treatment is performed. And they use computerized digital radiography to take x-rays, removing up to 90% of radiation exposure to the patient and eliminating the environmental impact of disposing heavy metals and film-developing chemicals. Metal-free fillings are also the norm there, replacing toxic mercury with bonded alternative materials that blend into the teeth and give patients natural esthetics. But the latest and greatest innovation for this team is the addition of their new associate, Dr. Jay Knudsen, a recent graduate from the University of Detroit Mercy School of Dentistry and the hospital-based dental residency program at Sacred Heart Hospital in Pennsylvania. Dr. Rosenberg's years of experience, combined with Dr. Knudsen's training in the latest techniques, methods and materials, provides their patients with a multifaceted perspective in dental care. For more information on this amazing practice, visit [www.mainesmiles.com](http://www.mainesmiles.com).



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Fifty Portland Pier  
Portland, Maine 04101

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TAX PLANNING**