BEYOND the NUMBERS

MAY / JUNE 2003

A Roundup of Business and Tax Planning Ideas

Special Tax Issue

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TAX TALK

New Tax Law Provides Immediate Tax Relief to Many

by Ronald M. Finkelstein, JD

ON MAY 28, 2003, President Bush signed the "Jobs and Growth Tax Relief Reconciliation Act of 2003" (referred to as the "Act" or "JGTRRA"). The Act will have an immediate impact on individuals, investors and small businesses in the form of lower tax brackets, reduced tax rates for capital gains and dividends, an increased child tax credit and large deductions for businesses. Small businesses also will receive significant tax benefits. This article discusses some of the Act's important provisions, as well as how the new law affects you now.

Child Tax Credit

Eligible taxpayers will incur an immediate benefit as the 2003 increase in the child tax credit of $400 per child will be paid in advance beginning in July or August 2003. For 2003 and 2004, the child tax credit will increase from $600 to $1,000 per qualifying child. In 2005, however, the credit is rolled back to $700 in accordance with the Economic Growth Tax Relief Reconciliation Act of 2001 ("EGTRRA").

New tax legislation provides immediate tax relief to individuals, investors and small businesses.

The advance payments will be made in a similar manner as payments received during 2001 to reflect the creation of the 10% income tax bracket and will be based on information reported on your 2002 income tax returns. Therefore, those individuals who had additional children in 2003 will not get a credit for that child in advance but will have to claim that credit on their 2003 returns.

As the credit is phased out based upon a taxpayer's adjusted gross income ($110,000 for joint filers and $75,000 for single filers), some taxpayers will receive a smaller or no advance payment. In addition, several low-income taxpayers are not eligible for the increased credit.

Ronald M. Finkelstein, JD

Changes to Tax Brackets

JGTRRA accelerates the marginal rate cuts that were supposed to take effect in 2006 and thereafter under EGTRRA. As a result, retroactive to January 1, 2003, tax rates for the four top brackets will be reduced to 25%, 28%, 33% and 35% from (21%, 30%, 35% and 38.6%). Under EGTRRA, however, the new lower rates will revert back to the 2001 rates after 2010.

In addition, the 10% marginal rate bracket increases from $6,000 to $7,000 for single filers and from $12,000 to $14,000 for married couples for the years 2003 and 2004. This will result in a $50 savings for all single filers who pay tax above the 10% bracket and a $100 savings for those filing jointly.

Because the tax rate cuts are retroactive to January 1, taxpayers will see an immediate increase in their paychecks due to a reduced amount being withheld for taxes. This adjustment should take place as soon as employers and payroll services implement the new withholding tables.

Marriage-Penalty Relief

Since the tax brackets and standard deductions for joint filers are not twice the amount of single filers, married couples end up paying a higher

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Cost Segregation

Tax Savings Right at Your Front Door

by Joseph Perry, CPA

BASED ON THE RECENT publicity related to tax shelters, individuals and companies alike have become reluctant to engage firms for tax-planning opportunities. Not all tax-planning opportunities are achieved through "tax shelters." Take "Cost Segregation" studies for example.

Cost Segregation is the process of analyzing the costs of real estate (owned or leased) and reclassifying costs for depreciation purposes from building to personal property and/or land improvements. The tax law provides specific periods of time, depending upon the type of property purchased, over which the cost of the property is deducted (regardless of the economic life). The reclassification of property from one type or class of property to another allows for a shorter deprecation period, thereby allowing an accelerated depreciation deduction that results in saving taxes and putting more cash in your pocket. Generally, costs are reclassified to 5-year, 7-year or 15-year recovery periods instead of the 27.5 or 39.5-year recovery periods. Confused? Here is an example.

Savings Opportunities

If a printing company were to lease, own or make improvements to real estate, for tax purposes, the cost would generally be depreciated over 39.5 years. Large printing presses are affixed to a thicker concrete foundation. The cost related to the thicker foundation that would generally have 39.5 life can be segregated from the building. Those segregated costs can now be depreciated over a 7-year life (the same life as the printing press) thereby, allowing an accelerated deduction. Other costs that may be reclassified from 39.5-year property are soft or overhead costs related to the construction and electrical wiring for the press.

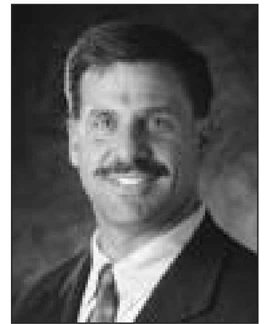
In a real life example, a client of Marcum & Kliegman LLP constructed a building to be used as office space with construction costs of approximately $10 million. Marcum & Kliegman's cost segregation study reclassified costs and enabled the client to save more than $450,000 by maximizing cash flow. These savings were calculated based on the client's income tax rate and cost of funds.

The Internal Revenue Service has acknowledged the validity of this process based on more than 200 court cases and rulings in favor of the taxpayer. It was further enhanced by the passing of the Job Creation and Worker Assistance Act of 2002, which provides for a 30% depreciation bonus in the first year for newly-created costs related to qualified property. The recently enacted Jobs & Growth Tax Relief Reconciliation Act of 2003 further increases the 30% deduction to 50%.

In addition, the IRS has provided guidance to allow a catch-up of prior deprecation if the property was placed in service in a prior year. This means that as a result of the reclassification of the property, the increased depreciation deductions all will be deducted on the taxpayer's current tax. Therefore, there is no need to amend tax returns.

Can You Take Advantage of These Changes?

Generally, if you are depreciating Real Property (owned or leased) that has a cost greater than $500,000 and the property was placed in service after 1987, there may be an opportunity. Based upon the use of the buildings and our expertise, we can quickly assess whether or not an opportunity for savings exists.



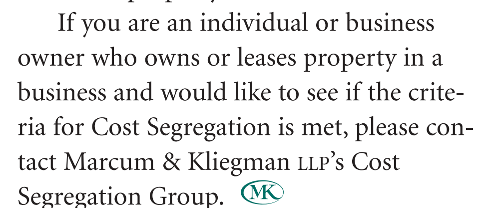
Joseph Perry, CPA

Specifically, the Cost Segregation study utilizes engineers who are experts in this area working in conjunction with an experienced tax professional team. The result is the preparation of a comprehensive report that supports the additional deductions necessary to capture the tax savings. The combination of tax laws, rulings and engineering experience provide for the basis of a complete and defendable study. The study includes a detailed inspection tour of the building, a review of site plans and blueprints, and a review of job costing receipts to ensure an accurate cost allocation.

Conclusion

The study is beneficial to taxpayers who can utilize accelerated depreciation deduction, and who do not plan on selling the property in a taxable transaction in the near future. The Cost Segregation Study is a great opportunity to enhance the return on investment and to maximize cash flow. An estimate of savings can be determined with a minimal amount of time expended reviewing some basic facts about the property.

If you are an individual or business owner who owns or leases property in a business and would like to see if the criteria for Cost Segregation is met, please contact Marcum & Kliegman LLP's Cost Segregation Group.



Joseph Perry, CPA is a Tax Partner at Marcum & Kliegman and part of the firm's Cost Segregation Group, along with Partners Keith Blitzer, CPA and Vincent Paolucci, CPA. Joe can be reached at 516-390-1029 by email at jperry@mkllp.com.

Tax Insurance

The Practical Alternative or Complement to a Private Letter Ruling or Tax Opinion

by Jeffrey D. Cowbey

TAX TALK

FOR MANY YEARS, taxpayers who sought comfort regarding the tax treatment of a particular transaction had two options. They could seek a private letter ruling (PLR) from the IRS or they could retain a law firm or accounting firm to issue an opinion. While these alternatives have benefits, they also have certain significant limitations. In the last several years, tax insurance has emerged as a viable alternative (and in some cases complement) to these traditional approaches.

Broadly, tax insurance can be used to provide tax certainty with respect to a transaction entered into in the ordinary course of a taxpayer's business. While tax insurance provides a practical solution in many situations, the most common are where no clear precedence or guidance is available and/or the taxpayer's risk tolerance is low. In order to understand the advantages tax insurance offers, it is worthwhile to outline the benefits and weaknesses of the PLR and tax opinion.

Private Letter Rulings

The IRS has set up procedures that allow a taxpayer to obtain an advance ruling as to the tax consequences of a planned transaction. While getting a PLR is broadly viewed as having the IRS "sign off" on a transaction, there are two significant limitations. The first is that obtaining a PLR is a time consuming, and often expensive, process. The IRS usually requires a minimum of four to six months to issue a ruling. In addition, taxpayers often retain outside advisors to assist them when seeking a ruling. The fees for these professionals can become quite significant.

The second weakness is the PLR itself. Fundamentally, a PLR is a purely technical analysis of a given set of facts. The IRS makes no attempt to verify the facts upon which the PLR is based. Instead, the taxpayer generally must give representations regarding the facts necessary to the support the ruling. Thus, a PLR is only as good as the representations that underlie it.

Additionally, the IRS simply will not rule on areas that are deemed too fact-intensive. For example, the IRS will not issue a ruling as to whether a particular instrument is debt or equity for tax purposes or when a particular piece of business property was "placed in service." Finally, the IRS will not issue a PLR if it believes that sufficient authority already exists to enable a taxpayer to be comfortable about the tax consequences. For example, the IRS generally will not rule as to whether a transaction qualifies as a tax-free reorganization. The IRS has announced a "no rule" policy with respect to a number of relatively common transactions.

Because tax insurance actually reimburses the taxpayer in the event of an adverse determination, it is significantly more valuable to the taxpayer.

Tax Opinions

In many respects, tax opinions are similar to PLRs in that they represent an informed, technical analysis of a given set of facts. While an opinion can be obtained for many transactions where the IRS will not rule, they are not binding upon the IRS. Moreover, should the IRS successfully challenge the tax treatment, the taxpayer pays the tax due. The issuer of the opinion is largely insulated from liability.

Tax Insurance: An Alternative

In many circumstances, tax insurance provides a superior alternative to the PLR or opinion. As the recent turmoil in the markets has served to reinforce, timing is a critical component of many commercial transactions. Oftentimes, taxpayers simply cannot afford to wait for the IRS to issue a PLR. Tax insurance offers a significantly faster alternative. Depending upon the needs of an insured, the typical tax insurance policy can be issued in days or weeks as opposed to months. The relative speed of the process also helps to limit the fees of outside advisors. In one recent transaction, a taxpayer opted to insure a tax-free spin-off transaction rather than seek a PLR. The potential tax associated with the deal was in the hundreds of millions of dollars and the transaction involved legal issues that had never before been the subject of a PLR. While confident that a PLR was available, the taxpayer feared that the process would take significantly more than six months, which might have derailed the deal entirely. The insurers were able to assess the risk and craft a policy in three weeks and the transaction went forward.

In addition, tax insurance may be available in situations where a PLR is unavailable. As indicated above, the IRS will not issue PLRs where the tax consequences are thought to be sufficiently addressed by existing authority. By way of illustration, it is safe to assume that, each year, taxpayers engage in a large number of tax-free reorganizations. Because a PLR is generally unavailable, many taxpayers rely on an opinion of counsel. While this opinion provides some comfort, it is the taxpayer who continues to bear the risk. If the IRS successfully challenges the tax treatment, there is typically no recourse against the law or accounting firm that issued the opinion. Because tax insurance actually reimburses the taxpayer in the event of an adverse determination, it is significantly more valuable to the taxpayer.

Tax insurance has also proved itself to be an effective complement to PLRs. As noted above, the IRS will not rule on factual issues. Not surprisingly, the factual issues surrounding a transaction can be as important as the technical legal issues. As an example, there is a tax credit available to certain producers of synthetic fuel. Many of these taxpayers have obtained PLRs regarding the technical aspects of

(continued on page 4)

New Tax Law Provides Immediate Tax Relief to Many *(continued)*

tax than if each spouse computed his or her tax as if they were not married.

Under JGTRRA, joint filers are given some temporary relief from this marriage tax penalty. First, for 2003 and 2004, the 15% tax bracket for joint filers is increased to twice the size of the same bracket for single filers. (After 2004, the 15% bracket for married filers is reduced). Also for those years, the standard deduction for married couples will increase to exactly double the standard deduction for single filers. After 2004, the married couple standard deduction will also be decreased, and will gradually increase again to $9,500 in 2009.

Reduced Tax Rates for Capital Gains and Dividends

Under JGTRRA, tax rates on dividends and capital gains are lowered. Effective for sales after May 5, 2003 and before January 1, 2009, the 10% and 20% rates on net capital gain are reduced to 5% (zero in 2008) and 15% respectively, for both regular tax and alternative minimum tax. These rates apply to sales of capital assets held more than one year. Due to the significant reduction in capital gains rates, it is now more advantageous for taxpayers in the higher brackets to realize long-term capital gains (taxed at 15%) instead of short-term capital gains or ordinary income (taxed at 35%).

For tax years beginning in 2003 and before 2009, dividends received by an individual shareholder of domestic corporations are taxed at the same rates as capital assets held more than one year. As a result, the maximum tax rate on dividends will be 15%. This reduction is significant for individuals who are in the higher tax brackets since dividends will now be taxed at about a 20% lower rate.

Tax Changes for Businesses

The Act includes two temporary tax breaks designed to encourage small businesses to make immediate investments.

Currently, business taxpayers may elect to deduct as an expense, rather than to depreciate, up to $25,000 of the cost of personal property placed into service in the taxpayer's trade or business. Under JGTRRA, this amount is increased to $100,000 (subject to phase-out amounts) but is only available for tax years 2003, 2004 and 2005. (In 2006, this amount reverts back to $25,000.)

The second major change increases and extends bonus first-year depreciation. Prior to JGTRRA, a 30% additional first-year depreciation allowance was applied to the non-expensed portion of qualified property if certain conditions were met. Under the Act, bonus depreciation jumps to 50% for property acquired after May 5, 2003 and before January 1, 2005.

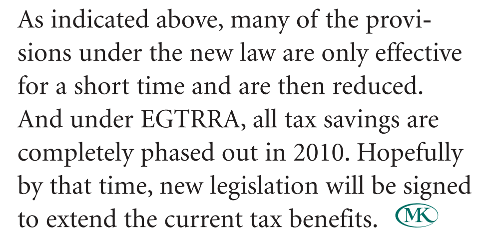
Planning Suggestions

While the President expects you to spend your tax savings to stimulate growth in the economy, others may plan to save their tax benefits. Those individuals that qualify for tax deductible IRAs or SEPs may want to consider making contributions to those accounts with their tax savings, thereby creating a tax deduction with the tax relief.

Others with children over age 13 in the 10% tax bracket may consider transferring appreciated stock to them in order to take advantage of lower capital gains rates. Furthermore, with the maximum corporate tax rates and individual rates almost equal, business owners should consider switching from operating as a "C" corporation to an "S" corporation or other type of passthrough entity.

Now that capital gains rates are lower, the step-up in basis at death on capital assets becomes less compelling. Therefore, older taxpayers should evaluate whether to sell appreciated stock and increase their current income by investing the proceeds in dividend producing stocks. In the alternative, they may consider using the proceeds to purchase long-term care insurance to protect their assets.

Conclusion



As indicated above, many of the provisions under the new law are only effective for a short time and are then reduced. And under EGTRRA, all tax savings are completely phased out in 2010. Hopefully by that time, new legislation will be signed to extend the current tax benefits. MK

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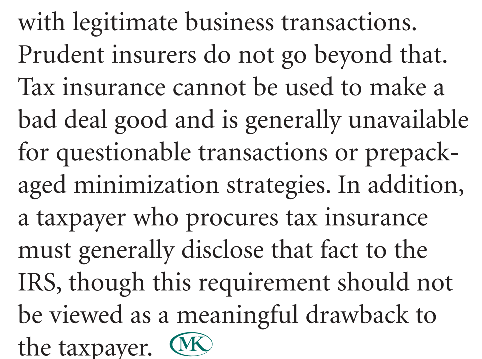
Tax Insurance *(continued)*

their operations. However, the credit is also dependent upon certain factual determinations, such as whether their facilities were placed in service by a certain date and whether the fuel that is produced is a qualifying fuel. The IRS simply will not address these issues in a PLR. As a result, many of these producers have sought and obtained tax insurance on these issues. This insurance has not only given them comfort on the safety of their credit, it has also enabled them to sell interests in their facilities to other taxpayers.

A second potential application for tax insurance to someone who has obtained a PLR is where it is subsequently determined that one or more of the factual representations made to the IRS in support of a PLR are incorrect. The failure of a representation may render the PLR invalid even though the conclusions reached in the PLR remain correct. Tax insurance may serve to fill this gap.

Tax insurance provides a viable alternative to resolve tax concerns associated with legitimate business transactions. Prudent insurers do not go beyond that. Tax insurance cannot be used to make a bad deal good and is generally unavailable for questionable transactions or prepackaged minimization strategies. In addition, a taxpayer who procures tax insurance must generally disclose that fact to the IRS, though this requirement should not be viewed as a meaningful drawback to the taxpayer. MK



Jeffrey D. Cowhey is a partner with Ambridge Partners LLC, a managing general underwriter of Transaction Facilitation Insurance products with offices in New York, NY and Pennington, NJ. Transaction Facilitation Insurance products are designed to address contingencies or disagreements that threaten or impede the completion of a business transaction. For more information regarding Ambridge Partners or Transaction Facilitation Insurance please contact Brad Bane at 212-947-1908.

Whose Side Are You On?

Balancing Company and Employee Interests in Your Retirement Plan

by Michael Butler, CPA, Nationwide Financial

AS AN HR EXECUTIVE, walking the line between your company's best interest and what best serves your employee participants can be difficult. We've all watched the news reports of companies, such as Enron, whose HR executives are under fire for retirement plan related missteps. Consequences for not understanding your responsibilities can vary from company fines to personal liability.

How do you strike the right balance between serving your company's interests while upholding your responsibilities under the law? Understanding the rules of the game is a great start. Read on to better understand some of your key duties, some common pitfalls and tips on how to avoid them.

Who is ERISA and What Does She Want?

Although ERISA may sound like that hair-pulling second cousin at your childhood family reunions, it really stands for the Employee Retirement Income Security Act and is shorthand for the federal law that governs the management of retirement plans. Under this act, a fiduciary is defined as any person who exhibits any or all of these characteristics:

- **Exercises any discretionary authority or control** respecting the management of a plan or its assets. For 401(k) plans, this generally means people within the company such as the officers and the plan committee members who select and monitor the investments and oversee the general management of the plan.
- **Renders investment advice** regarding any funds or other property of a plan. Often, this is someone outside the company, such as a registered investment advisor who assists the plan fiduciaries with the selection and monitoring of the plan's investment options.
- **Has discretionary authority or responsibility in the administration of the plan.** This usually includes plan committee members who oversee the administration of the plan in matters such as the calculation of benefits and determination of who is covered under the plan. Human resources professionals often fit this category, as well.

Likewise, there are people who perform administrative functions on behalf of the plan but do not make discretionary decisions or render plan advice. These people are not considered plan fiduciaries. Some examples include individuals who:

- Apply the rules to determine plan eligibility
- Prepare employee communication materials
- Calculate plan benefits by applying the rules of the plan
- Receive contributions and apply them as detailed in the plan.

Now you know the basics about your duties, lets look at some tips that can keep you in good stead with the boss while keeping you out of fiduciary trouble.

➤ TIP 1

Diversity is Good

You can meet the diversity hurdle by offering a broad range of investment options that meet the various style classes or investment categories. This means investment options should satisfy needs ranging from the conservative investor to the aggressive investor and everyone in between. There are as many investment preferences as there are participants in your plan and making sure you offer choices that reflect that variety is one of your responsibilities.

Your investment options need to be appropriate for your workforce. This means providing not only adequate investment choices such as cash, bonds, domestic and international equities to name a few, but also to provide appropriate communications, education and in some cases, investment advice, to help employees make informed decisions about their retirement savings.

Just as you strive to provide investment options, be sure to give participants adequate opportunities to change those investment elections. According to a 2002 Hewitt Associates survey, 80.5 percent of 401(k) participants did not make changes to their investment allocations in 2001. Chalk it up to inertia or to the deer in the headlights syndrome caused by market volatility, but the pendulum of activity will swing back. When it does, your plan should be ready to quickly and easily accept investment changes from its participants.

➤ TIP 2

Inspect What You Expect

Having a well-defined investment policy statement is a great way to set the guidelines for your plan's investments. It can be very helpful to you and to your participants in that it will establish the guidelines and standards used to select the plan's investment options. Your policy statement will also become the basis for evaluating the performance of each fund or investment option. In short, your investment policy statement will:

- Assure that your plan has documented investment objectives
- Ensure that the investments selected meet the plan's objectives
- Provide a basis for periodic review and documentation of existing investments.

Many companies have opted to look to outside resources when it comes to selecting and evaluating investment options. The key is knowing when your internal expertise falls short, and doing your due diligence to find that expertise elsewhere.

➤ TIP 3

Time Won't Wait

When it comes to satisfying your participants and your fiduciary responsibilities, time ISN'T on your side so it's best to understand that up front and create internal policies to address that reality.

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Whose Side Are You On? *(continued)*

Making timely contributions is a basic, but essential point here. If your plan allows employees to have 401(k) contributions made from their bi-weekly paychecks, those contributions must be sent to the plan provider on the same schedule. Holding contributions until the end of the month because it eases an administrative burden is a clear (but common) breech of fiduciary duty and could put your plan in jeopardy of losing its qualified status.

Be prompt to respond to participant requests for investment changes or information. Establishing Service Level Agreements (SLAs) is a great way to set participant expectations and to measure your own performance.

You can save your company headaches and money by being prompt to file all official documents and reports. Late fees accrue daily and can be levied by the Department of Labor AND the Internal Revenue Service, so missing the due date of your plan's annual report (Form 5500) by as little as 30 days can cost the company a bundle. All participants need to receive a Summary Annual Report (SAR) annually and you should also provide an easy way for them to find out all other plan information.

➤TIP 4

What's Good for One Can Be Good for All

Typically participants nearing retirement tend toward more conservative strategies utilizing money market and/or fixed income investments. Likewise, younger employees may be better suited for a more aggressive approach since they have a longer investment horizon to ride out the peaks and valleys of the market. If you think about these strategies on an individual basis and offer investment options that suit those needs, you're probably on target to satisfy ERISA's "prudent person rule" that specifies the need for diligence in selecting investments, determining appropriate levels of risk and return, and evaluating the performance of outside service providers.

Another personal investment strategy that can be beneficial at the plan level is the concept of making professional money managers available to all participants.

Offering this fee-based service is a way for any participant, regardless of portfolio size or personal investment expertise, to use the knowledge and time of someone who's professionally trained to actively manage retirement investment accounts. The theory is the fees you pay will be offset by the additional returns you earn because your funds are being carefully monitored and adjusted. For those who don't want to take the time to acquire the personal knowledge and to execute those choices, this can be a great investment in itself.

➤TIP 5

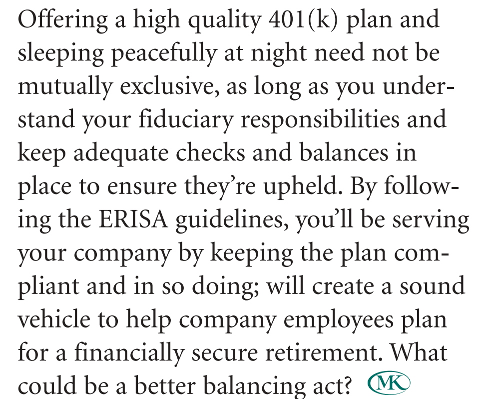
Inform, Inform, Inform

Provide participants with all required plan information such as investment choices and descriptions, details on any charges and fees along with other information available upon request, like identification of investment managers and details about the investment holdings within the entire portfolio.

Participants must have access to their accounts via multiple sources. This can include periodic statements, automated voice response unit and the Internet to name a few. They also need to have the ability to perform account transactions easily and through various mediums. Daily account values that illustrate a participant's actual daily investment value are becoming the new industry standard. They're not a required option but more providers are offering them and that tends to drive participant expectations. The more information you provide on a timely, accurate basis, the happier your participants will be and ultimately, the more successful your plan.

If you have to impose a blackout period (a scheduled time when participants cannot access or change their accounts) or suspend account access due to a provider or administrative change, give ample notice to your participants and do so through a variety of sources. In the notice, you are required explain the reason for the blackout period, its start and end dates, and a reminder to evaluate investments since there is an inability to make changes during the period. If employers or plan sponsors fail to provide a 30-day notice, there could be a fine up to $100 per day per plan participant.

It may go without saying, but be sure to schedule your blackout period away from events that tend to move the company stock price such as an acquisition, divestiture or an earnings release.



Rest Easy

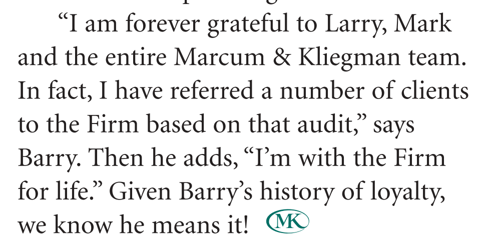
Offering a high quality 401(k) plan and sleeping peacefully at night need not be mutually exclusive, as long as you understand your fiduciary responsibilities and keep adequate checks and balances in place to ensure they're upheld. By following the ERISA guidelines, you'll be serving your company by keeping the plan compliant and in so doing; will create a sound vehicle to help company employees plan for a financially secure retirement. What could be a better balancing act? MK

For more information, please contact Tiffany Swinehart, Public Relations Manager, Nationwide Financial at 614-677-4297 or by email at swinehj@nationwide.com.

Marcum & Kliegman LLP & CT Networks *(continued)*

deceased accountant's records. Then, Marcum & Kliegman's resident expert on New York sales tax audits, Manager Mark L. Stone, began tackling the audit issue immediately with the help of CT Network's controller Angela Santorello. In the end, what the company owed in sales tax was manageable, and the books and records were in good shape for the future.

Since those tumultuous beginnings nearly three years ago, Marcum & Kliegman has continued working with CT Networks on positioning the company for greater growth. To this end, the Firm provides consulting in the areas of budgeting, cash flow analysis and strategic tax planning and compliance, as well as quarterly accounting services work. Looking forward, Larry and Barry are discussing estate and succession planning.



"I am forever grateful to Larry, Mark and the entire Marcum & Kliegman team. In fact, I have referred a number of clients to the Firm based on that audit," says Barry. Then he adds, "I'm with the Firm for life." Given Barry's history of loyalty, we know he means it! MK

Inside Marcum & Kliegman LLP

Professional Accomplishments

Leslie E. Streitfeld, CLU, ChFC, CSA, CEP, LUTCF was elected the 65th President of the New Jersey Association of Insurance and Financial Advisors… Tax Manager **Ronald Finkelstein** was quoted in *Long Island Business News* (May) on proposed pension reform legislation and again in June on the topic of the new tax law on lower rates on capital gains and dividends… **Ronald Storch** was quoted in *Long Island Business News* and *Accounting Today* regarding the launch of the M&K-IGS (June 2003).

Charitable & Corporate Events

David First

Marcum & Kliegman is a sponsor of the "Light The Night Walk" to be held in Queens this September to support the National Leukemia & Lymphoma Society. Partner **David First** is organizing a group of walkers who will participate in the event.

For the second year, **Marcum & Kliegman** was a T-shirt sponsor of the Judi Shesh Memorial 5K Run/Walk to support breast cancer research. The event was held on May 31, 2003 and raised more than $38,000.

The Long Island office of **Marcum & Kliegman** participated in the Hauppauge Industrial Association's 2003 Summer Food Drive. All food donated benefited Long Island's food pantries, senior and children's day care centers, soup kitchens and shelters.

Manager **Nannette Watts** is organizing the M&K team for the "Making Strides Against Breast Cancer" Walk on Sunday, October 19, 2003.

Once again, **Marcum & Kliegman** will participate in the JP Morgan Chase Corporate Challenge on Tuesday, July 29 at Zach's Bay, Jones Beach.

Principal Steven Bryde, with wife Ann and former President Bill Clinton at the Westchester County Association Presidential Reception, held on May 21, 2003.

Principal **Steven Bryde** was elected President of the "World Trade Council of Westchester" and was appointed to the Board of Directors of the Westchester County Association. Both positions are two-year terms.

New Hires

Jennifer Carroll, Senior, LI Audit Department

Allen Eisenstein, Supervisor, NYC Audit Department

Christi Garber, Supervisor, LI Tax Department

Karen Kaufman, Manager NYC Audit Department

Sue Kehner, Senior, NYC Audit Department

Gary Koenig, Manager, NYC Tax Department

Stephanie McMillan, Senior, NYC Tax Department

Steven Michlin, Senior, NYC Audit Department

Chaim Miller, Manager, LI Hedge Fund Department

Tracy Minlionica, Supervisor, Litigation Services Department (welcome back!)

Hannah Park, Sales Consultant, M&K ISS, LI office

Margie Perez, NYC Administrative Department

Nikki Reiss, Senior, LI Audit Department

Alfred Rivers, Insurance Administrator, M&K FS, NYC office

Mariko Saito, NYC Administrative Department

Beth Schroeder, Senior, LI Audit Department (welcome back!)

Lai Mei Siu, Manager, NYC Audit Department

Baby News… (It's a lot of girls!)

Congratulations to… Anthony and **Jennifer Tirado** on the birth of their daughter… Robert and **Jennifer Alessi** on the birth of their daughter... Natalie and **Adam Gottlieb** on the birth of their daughter… Joseph and **Kathy Connelly** on the birth of their daughter… Danielle and **Steve Siegel** on the birth of their son.

Also, congratulations to **Cheryl Hutchinson** on her upcoming wedding.

Spotlight

Marcum & Kliegman LLP & CT Networks

PICTURE HOW MUCH more effectively you could run your business if your telephone system were as immediate and easy to manipulate as your email system. Envision checking your voicemail in New York from your cell phone in Italy. Imagine doing it the way you check email — sorting your messages by title and date received, prioritizing them, forwarding them to coworkers, etc.

Like many aspects of the technology revolution, if you can wish for it, it can be done. The technology surrounding this type of cutting-edge communications abilities has been coined "Telephony," and CT Networks is leading the way.

Founded in 1984, CT Networks installs network system components that provide scalable, high performance, secure infrastructures, including data and telephone servers, WAN access devices, routers and web/application services. The company's client roster boasts more than 12,000 clients in the New York metropolitan area, many of which are prominent businesses including King Kullen supermarkets, Roslyn Savings Bank, New York Institute of Technology, Suffolk County National Bank, and many others.

Humble Beginnings

Barry Goldstein, President of CT Networks, founded the company in his basement nearly 20 years ago. At first, he and a small staff focused on selling basic telephone systems. However, with his sense of business and acumen for spotting a trend, it wasn't long before CT Networks launched into sophisticated communications and information technology.

From the beginning, Barry used a sole proprietor for his company's accounting needs. As his company grew, Barry sensed that it was outgrowing the capabilities of its accountant. After seeing an ad for Marcum & Kliegman in *Long Island Business News,* he contacted Principal Larry Scheinthal to talk about possibly changing firms. "When I first met Larry," recalls Barry, "I liked him right away." Despite his growing relationship with Larry and his respect for Marcum & Kliegman, Barry found it difficult to end the relationship with his accountant.

Time for Change

Two dramatic events occurred 2000. First, New York State contacted CT Networks, informing the company that it would be audited for sales tax. Clearly apprehensive over the news, Barry brought the letter to his accountant. Then, quite unexpectedly, in the midst of gathering information to handle the audit inquiry, the accountant passed away.

Suddenly, Barry had to deal with the loss of a friend and business adviser, and the headache of a pending audit. Barry recalls that period as very stressful. He turned to Larry Scheinthal in his time of need. "Larry was the most comforting and reassuring person at such a difficult time," says Barry.

Within days of Barry's call, Marcum & Kliegman helped CT Networks begin the transition process. Marcum & Kliegman developed a team to recreate CT Network's books based on the

(continued on page 6)

Barry Goldstein, President of CT Networks.

THE PARTNERS AND MANAGERS of Marcum & Kliegman LLP are often asked if they are available to serve additional clients. As a dynamic and growing firm, we sincerely appreciate your referrals. If you would like a copy of *Beyond the Numbers* sent to a friend, please email us at info@mkllp.com or complete and mail this form to:

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