

# Q&A

## Accountants Foresee More Positive Changes to Come

### Steve Rapattoni

Partner in charge, Irvine office of Marcum LLP

I am fairly optimistic about the economy, and I think things will continue to improve. The June job numbers were better than expected, and companies are hiring, which of course is good news for the economy as a whole but also for us, because as companies expand, so does their need for accounting and advisory services.

Orange County experienced significant job growth in the first two quarters, which is now impacting a robust real estate market. We should expect to see the construction industry continue its comeback the second half of the year, as further evidenced by the announcement of several new real estate IPOs.



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Several of my clients have been successful in raising capital and are more confident in taking the opportunity to expand into new markets, including overseas. For example, the solar industry, which has benefited from government subsidies and reduced materials costs, is currently experiencing significant growth and expansion within Southern California, as well as the neighboring Western states. Some of this expansion is a result of joint ventures with overseas investors, as well as a credit market with an appetite for financing residential and commercial projects. Our clients are look-

ing for us to assist them in locating the capital and structuring from a tax standpoint.

The expanding economy brings with it a more accommodating compliance environment for small and midsize private companies in the form of flexible new financial reporting guidelines announced in June by the [American Institute of CPAs]. The new rules provide more options in choosing accounting methodologies in an effort to better meet the needs of financial-statement users and streamline the highly detailed U.S. [Generally Accepted Accounting Principles] reporting standards and voluminous disclosure requirements for smaller companies. This is a significant change from the "one-size-fits-all" approach currently in place for all private companies, regardless of size, and is expected to lead to substantially simplified reporting for smaller companies. This will improve compliance, enhance functionality for users, and free up resources.

With Orange County being a hub for medical device companies, I am fielding questions from my clients about the 2.5% medical device excise tax that went into effect on sales of taxable medical devices after Dec. 31. Unlike sales tax, which is passed on to a taxpayer's customers, this tax is imposed on the taxpayer/manufacturer/importer and requires quarterly reporting beginning on April 30. This adds one more compliance requirement to what is already a burdened small-business environment.

On the bright side, I visited a new housing development in South Orange County this past weekend, and it almost felt like the good old days, with so many interested families. Perhaps this exuberance has something to do with my confidence that the economy is getting back on its feet.