

# NEWS 'N VIEWS

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## NEW RULES FOR DONATIONS OF MOTOR VEHICLES

Recent legislation has added new rules regarding the charitable contribution of motor vehicles valued at more than \$500. Effective for donations made after December 31, 2004, donors must provide additional information with their income tax returns in order to claim a charitable contribution deduction.

### THE DONEE ORGANIZATION WILL BE PROVIDING DONORS WITH THE FOLLOWING INFORMATION:

- Donee's name, address, telephone number, and federal identification number
- Donor's name, address, and federal identification number
- Date of contribution
- Make, model, and year of vehicle
- Vehicle identification number

### If the vehicle was sold by the donee organization at arm's length to an unrelated party, they will also provide:

- Date of sale and gross proceeds

In this case, the charitable contribution deduction is limited to the lower of gross proceeds or fair market value at the date of contribution.

### Other cases:

If material improvements will be made by the donee organization to the vehicle prior to sale, or there will be significant intervening use by the donee, they will certify to that fact and give a detailed description of the material improvements to be made or the significant intervening use and expected duration of such use, or

If the vehicle will be transferred to a needy individual for significantly less than fair market value in furtherance of the donee organization's charitable purpose, they will certify to that fact.



In these other cases, the charitable contribution deduction will be fair market value at the date of contribution.

### New Form 1098-C

Donee organizations may provide you with the required information by using form 1098-C. If not, they will provide comparable information in some other fashion, such as a letter.

### Additional requirements may apply:

For vehicles with a claimed value of more than \$5,000, donors are still required to obtain a written appraisal. Also, the new rules do not apply to donations made by vehicle dealers. Additional deduction limitations may apply for vehicles used in a trade or business.

### Have questions?

If you have questions not addressed by this article, please contact your Marvin and Company representative.

*Christopher L. Cimijotti, CPA  
Manager*

## Estate Planning Series No. 4

### Do You Know Who Your Beneficiaries Are?

(Fourth in our ongoing series on simple Estate Planning issues)

A critical component of any estate plan, large or small, is the selection of your beneficiaries. I am referring primarily to those assets that are subject to beneficiary designation outside of your will or trust documents. Havoc may result without proper coordination.



**Chris Cimijotti  
CPA**

#### Included in this group of assets are:

- Assets held in joint name with right of survivorship
- Insurance policies
- Retirement plans
- IRA accounts
- POD (pay on death) assets (such as savings bonds)
- ITF (in trust for) bank accounts

For maximum flexibility, it's also important to select both primary and contingent beneficiaries.

You should periodically review the documentation connected to these assets to determine if they are consistent with your wishes and your will or trust documents. If they are not updated, you could end up with unintended results. Of particular importance are life changing events, such as birth of a child, marriage, divorce, or death of a spouse. I am reminded of a divorcée that was the surprised (and happy) beneficiary of her ex-husband's \$100,000 life insurance policy. Beneficiary designations will also play a crucial role in whether certain assets are subject to probate.

If you need some assistance in these matters, your Marvin and Company representative will be happy to help.

*Christopher L. Cimijotti, CPA  
Manager*

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# SARBANES-OXLEY ACT (SOX)

Although the internal control documentation and attestation requirements imposed by the Sarbanes-Oxley Act (SOX) only apply to publicly traded companies, certain oversight entities are imposing similar, if somewhat limited, standards that are similar to SOX Section 404. Briefly, the objectives of Sarbanes-Oxley Act Section 404 are to ensure reliable financial reporting, a sound internal control structure, and effective anti-fraud programs and controls; these are laudable objectives for any entity! School districts in New York State will soon be required to implement an "internal audit" function, which includes risk assessment and internal control documentation and evaluation activities. The New York State Attorney General proposed SOX type standards for non-profit organizations that were not enacted; however, similar proposals are expected in the future.



**Jim Amell, CPA**

While initially viewed as time consuming and costly, many organizations that have undertaken the documentation and risk assessment process required by SOX Section 404 have found numerous benefits in terms of improved operational efficiency, improved internal control and better communication among departments. Most organizations would benefit by documenting and evaluating selected key processes, regardless of whether they are required to do so.

The first step towards SOX Section 404 compliance is to identify all processes and activities, and locations where they occur within the organization. (For example, the purchasing process may all run through one employee, but the requisitions originate from multiple departments and physical locations.) Then, a thorough documentation of the processes and activities is undertaken for each significant location. Documentation normally includes flowcharts along with accompanying narratives to explain what is going on within the process. Understanding and documenting computer based processes and controls are an integral part of the exercise.

Finally, internal controls within the processes are identified, further documented, and evaluated. SOX Section 404 further requires periodic testing and evaluation of internal controls.

*continued on page 3*

## TAX TIPS

### COST OF LIVING ADJUSTMENTS

*The Internal Revenue Service has determined the following amounts for items affected by Cost of Living Adjustments for 2006:*

Maximum annual benefit for defined benefit plans	\$175,000
Maximum annual addition to defined contribution plans	44,000
Maximum deferral to a 401(k) plan	15,000
Maximum 401(k) catch-up deferral for those age 50 and over (excluding SIMPLEs)	5,000

### MILEAGE RATES

*Effective for September 1, 2005 through December 31, 2005, the IRS has increased the standard mileage rate to \$0.485.*

*For all of 2006, the standard mileage rate has been set at \$0.445.*

### FICA WAGE BASES REVISED FOR 2006

Type of Tax	Wage Base	Tax Rate	Maximum Tax
Social Security	\$94,200	6.20%	\$5,840.40
Medicare	No Limit	1.45%	No Limit

*Rates are double for self-employed individuals*

**The benefits of completing the Process Documentation and Control Evaluation Process include:**

- Audit committee (or board members) better understand the activities under their control.
- Audit committee can improve decision making by being able to drill down further into processes.
- Improved internal control and elimination of duplicate control activities.
- Improved financial reporting
- Better understanding of control activities by those performing them.
- Consistent procedures and controls throughout the organization.
- Continuity of procedures and controls in the event of employee turnover.

So who within the organization should perform the documentation and evaluation process? Some companies that have completed the SOX compliance requirements (the largest of the publicly traded companies) used a combination of internal audit, IT and risk management staff to perform the project. Most companies faced with SOX Section 404 compliance have engaged outside consultants, usually a combination of CPA and information technology professionals.

Organizations not required to comply with SOX may desire the benefits noted above that can be realized by going through the process documentation exercise. One way toward this end would be to approach it on a piecemeal basis. Board members and management could collaborate on an overall risk assessment, rank transaction cycles in order of significance and risk, and document and evaluate one key area at a time.

Another approach to accomplish the risk assessment and control evaluation process is to assign risk assessment, process documentation and control evaluation to those individuals most directly involved in each process. These are the individuals who “own” the process, manage the pertinent risks and are most impacted by the effectiveness of control procedures.

Regardless of whether a business entity chooses to undertake the process documentation and control evaluation process, business leaders (board members and management) are still responsible for the overall identification and assessment of risks faced by the organization. Specifically, the leaders should be considering the following:

- What analysis is the organization taking to identify risks?
- Is the organization assessing identified risks?
- What is the organization doing to mitigate the identified risks?
- Is there timely, sufficient communication within the organization to ensure that changes affecting controls, operating and compliance requirements, or other matters are also adequately addressed?

Once an organization’s leaders understand their risk evaluation responsibilities, a frequent outcome is that the leaders initiate the process documentation and control evaluation process within the organization!

*James E. Amell, CPA  
Director*

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INSIDE THIS ISSUE	
New Rules for Donations of Motor Vehicles Rules.....	1
Estate Planning Series No. 4 Do You Know Who Your Beneficiaries Are? .....	1
<i>Tax Tips:</i> Cost of Living Adjustments .....	2
Increased Mileage Rate .....	2
FICA Wage Bases Revised for 2006 .....	2

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What could we do to improve the publication? (not enough room here -- call us today)

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