

NEWS 'N VIEWS

A Publication of Marvin and Company, P. C.

June 2007

21ST ANNUAL BUSINESS CLIMATE SURVEY Businesses Unsure How Change in State Government Will Impact Their Organization

On February 22, 2007, we announced the results of our 21st Annual Business Climate Survey at a Press Conference held at the Albany International Airport. The survey was again conducted in conjunction with the University at Albany School of Business and 12 area chambers of commerce.

The survey was distributed during January to members of the Adirondack Regional, Albany-Colonie Regional, Bethlehem, Colonie, Columbia County, Guilderland, Montgomery, Rensselaer County, Saratoga County, Southern Saratoga County, Schenectady County and Schoharie County chambers.

Of the over 800 respondents, 32 percent came from Saratoga County, 35 percent from Albany County, 9 percent from Schenectady County, 8 percent from Warren County, 8 percent from Columbia County, 4 percent from Rensselaer County, 2 percent from Montgomery County and 2 percent from Schoharie County.

The following are excerpts from the Press Release...

"It's too soon for Capital Region businesses to know for sure how the *new dynamics in State Government* will impact them," said Kevin McCoy, CPA and director, Marvin and Company. "By this time next year, this issue will likely become more significant as new priorities take place and the new leaders adjust to their new positions."

In addition to the new question regarding the change in State Government, respondents were asked whether Advanced Micro Devices (AMD) Inc.'s chip plant in Luther Forest would impact their business. Thirty-seven percent of those who participated said they believe AMD would have very little impact on their organization, followed by 27 percent who said no impact at all, 26 percent replied only a moderate impact and the remaining ten percent said AMD would impact their business significantly.

In this 21st annual survey, 63 percent predict that their business will continue to increase in 2007. Another 32 percent expect to remain stable; only 5 percent forecast a decrease in business.

Thirty-four percent expects to hire additional employees in 2007,



up slightly compared to 33 percent who predicted an increase in hiring a year ago.

Health care costs continue as the most significant concern. The rising cost of providing health care is the number one concern for respondents who ranked 10 issues. For the past 12 years, this has

remained a major concern for employers. Respondents were asked if a health insurance broker was used to develop a strategy to control increasing health care costs. Almost 50 percent of respondents said no, 38 percent said their organization had used a broker and 13 percent said they did not have enough information about health care broker services.

Taxes and finding qualified employees ranked second and third on the list.

Rounding out the list (in descending order of importance) are: **energy pricing, national economy, worker's compensation, government regulations, state budget, transportation and security issues.**

Capital Region economy takes a slight dip. This year, 37 percent of those surveyed characterized the Capital Region economy as prospering, down from 39 percent in 2006. In looking forward to the next several years, 63 percent expect the Capital Region's economy will prosper, with 30 percent expecting it to experience little or no growth.

At what stage is your company? 43 percent of the businesses participating in the survey this year have been established for 20 or more years; 39 percent are mature companies, in business from 5 to 20 years; and 18 percent are start-ups.

Participants were less positive this year than last about the status of their *county's economy*, with only 42 percent responding that it was prospering, down from 44 percent last year. Another 21 percent characterized their county's economy as recovering, down from 27 percent who responded in that manner last year.

For more information, see the *Total Survey Area Results* on page 3 and if you want details relative to your region, please contact us.



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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Some Hot Topics for 2007

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

HERE ARE A FEW TOPICS THAT MERIT SOME ADDED ATTENTION FOR 2007:

Required Minimum Distributions

As the U.S. population ages, we're seeing more taxpayers who must take required minimum distributions from their IRA accounts. For the owner of an IRA, these distributions must begin once they reach age 70 1/2. Different rules apply if you inherited the IRA account.

What we're also seeing are taxpayers who fail to take those distributions in a timely manner. For missed distributions, there is the potential that you will have to fork over to the U.S. Treasury a whopping 50% of what you should have taken. There are limited opportunities to have the penalty waived, but it's much better to avoid having to deal with it in the first place, by taking your distributions timely.

There are some very specific rules governing required minimum distributions, which are usually a function of your age, whether or not you are the original account owner, and the age of your spouse. We won't be discussing these rules in this article, but if you have any questions or need help calculating your required minimum distribution, please let us know.

Charitable Distributions from your IRA

Through December 31, 2007, you can make charitable contributions directly from your IRA. This can be a great opportunity if you are charitably inclined. However, there are some very specific rules you must follow in order to qualify:

1. You must be at least age 702.
2. The distribution must be made payable directly to the charity, not to you.
3. Some charities do not qualify (for example, donor-advised funds). Before making a distribution, you should check with the charity and your financial advisors first, to see if the charity is qualified.
4. You are limited to \$100,000 in charitable distributions per taxpayer per year.

There can be some significant tax advantages for qualifying distributions. Such a distribution is considered a "non-event" for income tax purposes. This means that you don't have to report any taxable income. The flip side is that you won't get an income tax deduction. You get the deduction indirectly, by not having to pay tax on the income.



Chris Cimijotti, CPA

In addition, you've reduced the size of your potential taxable estate, and eliminated the income tax burden that would normally be passed on the IRA's beneficiary.

Rollover of Retirement Plan Benefits Inherited by Non-spouse Beneficiaries

This is a provision of some recent federal tax legislation. It's also turning out to be highly complex and very much misunderstood. Here are some of the more critical rules:

1. The retirement plan must allow for non-spousal rollovers.
2. The assets must be rolled into a properly titled IRA, known as an "inherited" IRA.
3. The transfer *must* be "trustee-to-trustee". The account *cannot* be transferred/paid directly to the beneficiary.
4. The account is still considered the "decedent's" account, not the beneficiary's. How the account is titled is critical to a successful rollover.
5. There is a limited amount of time available to a beneficiary for determining how post-death distributions are to be made.

This is a *very, very, very* complex issue. As soon as you become aware that you have inherited retirement plan benefits from a non-spouse, you should contact your financial advisors immediately.

We're Always Available

As always, your Marvin and Company representative is available to assist you with your ongoing income, gift, and estate tax planning needs.



Total Survey Area Results 21st Business Climate Survey

1. In 2006, our overall business:

- 55.9 a) Increased 26.8%
28.9 b) Remained stable
15.2 c) Decreased 13.3%

2. We estimate gross sales in 2007 will be:

- 55.2 a) Under \$1 million
20.3 b) \$1 million to \$3 million
5.7 c) \$3 million to \$5 million
18.8 d) Over \$5 million

3. In 2007, we believe our business will:

- 62.6 a) Increase
32.3 b) Remain stable
5.1 c) Decrease

4. We expect our employment level in 2007 to:

- 33.6 a) Increase 23.6%
62.5 b) Remain stable
3.9 c) Decrease 24.1%

5. Please rank your major concerns as you enter 2007:

Number in Order of Importance (1=most important, 10=least)

- 3 a) Finding qualified employees
1 b) Health care costs
6 c) Workers' compensation
5 d) National economy
2 e) Taxes
7 f) Government regulations
9 g) Transportation
4 h) Energy pricing
8 i) State budget
10 j) Security issues

6. Our primary business is:

- 6.5 a) Manufacturing 5.1 g) Finance/Banking
22.2 b) Service Industry 4.6 h) Real Estate
1.8 c) Wholesale 5.1 i) Tourism
12.0 d) Retail 17.9 j) Professional Services
3.9 e) Technology 13.9 k) Other
7.0 f) Construction/engineering

7. How many full-time and part-time employees do you average?

- 24 Full-time
10 Part-time

8. How would you characterize your county's economy?

- 42.2 a) Prospering 32.0 c) Stagnant
21.4 b) Recovering 4.4 d) Recessionary

9. At what stage is your company?

- 42.8 a) Established (20+ years)
39.4 b) Mature (5 - 20 years)
17.8 c) A start-up (0 - 5 years)

10. How would you characterize the Capital Region's economy?

- 37.0 a) Prospering 30.4 c) Stagnant
29.3 b) Recovering 3.3 d) Recessionary

11. How do you expect the Capital Region's economy to perform in the next several years?

- 62.5 a) It will prosper
29.7 b) It will experience little or no growth
7.8 c) It will struggle

12. The increase in technology-based businesses in the Capital Region has impacted my business:

- 4.9 a) Significantly 46.1 c) Very little impact
23.2 b) Moderately 25.8 d) No impact at all

13. I expect Advanced Micro Devices (AMD) Inc.'s chip plant in Luther Forest to impact my business:

- 9.8 a) Significantly 37.1 c) Very little impact
26.3 b) Moderately 26.8 d) No impact at all

14. Has your organization used a health insurance broker to develop a strategy to control increasing health care costs? (check all that apply)

- 38.1 a) Yes, our organization has used a broker
49.4 b) No, our organization has not used a broker
12.5 c) We do not have enough information about health care broker services

15. How do you expect the change in State government will impact your business?

- 20.9 a) It will have a positive impact on our organization
7.6 b) It will have a negative impact on our organization
65.2 c) I'm not sure how it will impact our organization
6.3 d) It will have no impact on our organization

Breakdown of Respondents (by County):

- 34.8 Albany County 3.7 Rensselaer County
32.0 Saratoga County 7.5 Columbia County
1.5 Montgomery County 8.8 Warren County
9.2 Schenectady County 2.5 Schoharie County

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INSIDE THIS ISSUE

21st Business Climate
Survey 1

Estate Planning Series No. 8
Some Hot Topics for 2007 . . . 2

Survey Results 3

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