

McGOWEN, HURST, CLARK & SMITH, P.C.

Celebrating 65 Years... all because of You!

PLANNING FOR THE COMING YEARS

In the last couple of years we have seen some significant tax legislation, including extensions of previous tax provisions and new tax law that will impact 2011 and beyond. In fact, a year ago at this time, many of us in the profession were planning on the expiration of the Bush tax cuts as almost a sure thing. In December 2010, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 was signed into law and many of the tax provisions that were originally set to expire on December 31, 2010 were extended. With the ever changing landscape of tax law, where do we stand today? I hope to provide some insight on where things stand for the current tax year as well as the coming years based upon the legislation in place today.



Individual Income Taxes

The first change on the horizon that will affect almost every individual taxpayer will be the increase in the employee's share of the Social Security tax from 4.2% to 6.2% on January 1, 2012. This will effectively decrease the take home pay of nearly everyone who earns a wage as an employee. For self employed individuals, the self employment tax will increase by 2% in 2012 as well. There has been talk in Washington about extending the 4.2% rate for another year, but nothing has been finalized at the current time.

The individual income tax rates will remain relatively unchanged from 2010 levels for both 2011 and 2012. Favorable tax rates (0%-15%) for most long-term capital gains and qualifying dividends continue for 2011 and 2012. The 15% rate is scheduled to increase in 2013 without further action by Congress, so it may be a good strategy to realize long-term capital gains while the rates are low.

The provision that allows taxpayers over the age of 70½ the availability to make a charitable contribution directly from your IRA in lieu of taking a minimum required distribution expires on December 31, 2011. Under this program, the taxpayer does not receive a deduction for the contribution, but also is not required to include the IRA distribution in their gross income.

If you haven't taken advantage of the tax credit for certain qualifying home improvements (windows, doors, insulation, HVAC systems) then you still have an opportunity in 2011.

The credit is calculated at 10% of the qualifying costs, with a maximum credit of \$500 and is only good for 2011. The 30% tax credit for geothermal, solar and wind energy systems continues through 2016.

Other deductions that have been extended for 2011 include the state and local sales tax deduction, the higher education tuition deduction and the educator deduction. In addition, \$1,000 child tax credit and the American Opportunity Tax Credit (higher education tuition) have both been extended through 2012.

Business Tax Incentives

The most significant business tax incentives revolve around depreciation. The 2010 Tax Relief Act established 100% bonus depreciation for qualifying expenditures made before January 1, 2012 and allows for 50% bonus depreciation for qualifying expenditures in 2012. The bonus depreciation is limited to qualifying property and there is not a cap on the amount of the deduction or a limitation based on the amount of property placed in service.

The section 179 deduction (expensing election for qualifying property purchases) is capped at \$500,000 for 2011 and begins to be phased out for qualifying property purchases in excess of \$2,000,000. For 2012 the section 179 deduction is capped at \$125,000 and begins to phase out at \$500,000 of qualify purchases, making it attractive to consider accelerating capital expenditures into 2011.

In 2011 employers also have an opportunity to claim a \$1,000 general business credit for qualified new employees hired and retained for 52 consecutive weeks. The research and development and work opportunity tax credits were also extended for the 2011 tax year.

Tax Impact of the 2010 Health Care Act

The expanded 1099 reporting that was created by the Health Care Act in 2010 was repealed in early 2011. That is good news for small business owners who were faced with a dramatic increase in paperwork in conjunction with the proposed 1099 reporting requirements.



Brian Newton, CPA

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THE LIFESERVE BLOOD CENTER

SAVING LIVES BY CONNECTING BLOOD DONORS TO PATIENTS IN NEED

One sunny day in June earlier this year, Stacy Sime went to work as usual, ready to perform her job as President and CEO of the LifeServe Blood Center. Little did she realize that later in the day her father would be the recipient of multiple units of blood that ultimately would save his life. Blood he received, that was tested and ensured safe by LifeServe Blood Center, from the very organization his daughter runs.

McGowen, Hurst, Clark & Smith, P.C. is proud to profile our client, **LifeServe Blood Center** in this issue of our *Client Bulletin* newsletter.

Stacy's dad was involved in a serious farming accident in his rural hometown of Labolt, South Dakota. An experienced farmer with a lifetime spent in grain bins, on tractors and working with machinery, he knew full well the importance of farming safety and prided himself in his cautious nature. On that day in June, for reasons he still can't recall, he found himself fighting for his life as both his legs and right arm became entwined in the auger of a grain bin. With severe injuries requiring six surgeries, a lengthy hospital stay and fourteen units of blood, he survived. Not only did he survive, but he recovered full use of both legs and his arm. "In fact," said Stacy with a smile on her face, "he is on the combine today harvesting the fields." This very up-close and personal situation for Stacy, suddenly gave a different meaning to her work at LifeServe Blood Center and the mission their organization serves. "It gave me a new perspective, recognizing that what we do everyday doesn't just save the lives of "anybody", but actually saved the life of my dad."

Stacy has been involved with LifeServe Blood Center for the past seventeen years in many capacities, recently being named as their President and CEO in May 2009. During her tenure, she has witnessed many changes in the



"People in the Midwest give blood and give often. They know it is the right thing to do, and are willing to help others."

organization, but perhaps one of the most significant occurred in April of 2010 when The Blood Center of Central Iowa merged operations with Siouxland Community Blood Bank. This merger not only increased the size and scope of the organization, but also brought about a new name - LifeServe Blood Center. Currently, LifeServe Blood Center provides blood and blood products to more than 90 hospitals in Iowa, South Dakota and Nebraska.

With more than 330 employees, 150 volunteers, nine blood donation locations, a state-of-the-art laboratory testing facility and four blood distribution locations, Stacy and her team have their jobs cut out for them.

This year alone, roughly 139,000 units of blood will be collected and rigorously tested to ensure a safe and adequate blood supply for our community. In fact, one unit of blood is passed through fourteen different tests to ensure its quality and potency for transfusion. Just one unit of donated blood can help save the lives of up to three different hospital patients after it is separated into blood components such as red blood cells, plasma and platelets. Blood is a precious resource, as it can only come from humans. Not only is it challenging to recruit enough blood donors to ensure an adequate supply for the community, but the life expectancy of blood products varies: red blood cells (42 days), plasma (1 year) and platelets (just 5 days).

LifeServe Blood Center is committed to ensuring donated blood never expires. "When people give us this precious gift of their own blood, we need to be respectful and responsible, making sure we do everything possible to have the blood in a location where it will be used prior to expiration," said Stacy. A careful and continuous watch of the blood inventory is assessed daily, moving blood types to different locations to handle patient needs and at the same time making certain the blood donations do not expire.

Are you busy the Wednesday before Thanksgiving? A Great Day to Donate

Did you know that more than 90% of us that reach the age of 70 will use blood products in our lifetime? Did you know that the number one recipient of all blood products is cancer patients? The need for blood is always great, but according to Stacy, holidays that fall close to a weekend, like Thanksgiving, Memorial Day, Labor Day, etc. are especially difficult times of the year to recruit enough blood donors to ensure an adequate blood supply. Stacy also shared the need for blood tends to increase in the summer time too, with more vacation travel.

Mobile Blood Drives Makes it Easy

LifeServe understands that giving blood should be easy and convenient for volunteer donors. That's why they operate nine donor centers throughout Iowa and South Dakota and hold more than 3,500 mobile blood drives through the tri-state region.



Stacy Sime, CEO
LifeServe Blood Center

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MHC&S SEES “RED,” BUT THIS TIME IT’S A POSITIVE “SAVING 65 LIVES IN HONOR OF 65TH ANNIVERSARY”

In honor of the firm’s milestone anniversary, MHC&S Team Members participated in several blood drives with the goal of donating enough blood to save the lives of 65 people.

Bob McGowen, Managing Partner said, “We wanted to do something special to mark our 65th anniversary this year. We knew holding blood drives on a regular basis throughout the year would have a positive and direct impact in the community in which we live and work. It was a project our team members embraced.”

MHC&S partnered with their client, LifeServe Blood Center, and scheduled the LifeServe blood mobile to make several stops at the MHC&S parking lot this year.

Stacy Sime, President and CEO of LifeServe Blood Center said, “We greatly appreciate all our community partners, and thank McGowen, Hurst, Clark & Smith for their dedication to our cause.” ■



MHC&S team members support the LifeServe Blood Center by scheduling several blood drives throughout the year in honor of the firm’s 65th Anniversary

FRAUD DETERRENCE AND DETECTION SERVICES

Especially during this economic down-turn, occupational fraud can certainly be a problem leaving no business, industry or organization immune to potentially devastating losses of funds and diminished reputation. According to recent studies conducted by the Association of Certified Fraud Examiners, small businesses and organizations often do not know when they are victimized. Many frauds are never detected or are only caught after they have continued for several years.

The MHC&S Fraud Detection and Deterrence Services team has extensive experience working with businesses and organizations to identify potential fraud risk and implement effective internal controls to assist in fraud prevention and detection.

Fraud Detection and Deterrence Services are consulting engagements offered by MHC&S to investigate possible fraud or assist clients in assessing their internal controls and related fraud risk.

While our services are tailored to meet individual client needs, our core service offerings include:

Fraud Deterrence Services

- Assessment of internal controls
- Operational review
- Risk assessment
- Fraud awareness training
- “Red flag” review

Fraud Detection Services

- Detailed review of organization's books
- Review of bank records
- Personnel interviews and general observation

For more information on how to protect your business from fraudulent acts, contact Joni Tonnemacher at 515-288-3279. ■

QUICKBOOKS TRAINING CLASSES

QuickBooks Training Classes, offered by McGowen, Hurst, Clark, & Smith, will be held **Wednesday, December 7** and **Tuesday, January 10**, 4:00pm - 8:00pm at the MHC&S Office, 1601 West Lakes Pkwy, Suite 300, West Des Moines, Iowa 50266.

Our QB training classes are geared for beginner to intermediate users. They are hands-on classes, so please bring your own laptop with your company file on it. If you need a computer, one will be provided.

The cost is \$125 with all materials provided and dinner is included. The instructor will be MHC&S QuickBooks ProAdvisor, **Tara Raymond**. Please call **Pam Corbin** at 515-288-3279 to register for either class. Seating is limited! ■

THANK YOU!

At this special time of year, MHC&S wishes to thank our clients for your business. We feel privileged to work with you and have enjoyed building our friendships over the years. At MHC&S, our goal is to provide clients with quality services and expertise, enabling you to achieve your business objectives.

We also wish to thank you for the many referrals you send our way. We appreciate your trust in us. Our firm is growing, expanding our services, and certainly accepting new clients. Please contact us if we can assist you or someone you know in need of accounting services.

The team members at MHC&S would like to wish our clients a happy and safe holiday season. ■



PLANNING FOR THE COMING YEARS - CONTINUED

The Health Care Act adds a couple of new tax increases beginning in 2013. Employees and self-employed individuals with earnings in excess of certain income levels will see a .9% increase in the Medicare tax they pay. In addition, a 3.8% tax on unearned income of higher income individuals begins. Unearned income for this additional tax includes capital gains, rental income, interest and dividends. 2013 also brings an increased limitation threshold for itemizing medical expenses and caps the amount employees can contribute to a medical reimbursement account at \$2,500.

With 2012 being an election year, it is difficult to forecast what may happen over the course of the next year and whether any of the items set to expire in the coming months will be extended. This article isn't intended to be all inclusive so be sure and get in touch with your trusted advisor at McGowen, Hurst, Clark & Smith to begin the planning process. ■

Brian Newton, CPA, is a Senior Manager at MHC&S and has over 14 years experience in public accounting. Brian specializes in tax planning and preparation, and business consulting. For more information, contact Brian at 515-288-3279.

THE LIFESERVE BLOOD CENTER - CONTINUED

It's easy to find a convenient location site, simply visit the LifeServe Blood Center website, www.lifeservebloodcenter.org to find a donor center or mobile blood drive that meets your needs. You can even schedule your donation appointment online through the web!

Midwest People are Giving People

LifeServe Blood Center is proud of its ability to ensure patients in Iowa, South Dakota and Nebraska have access to quality blood products, when they need them. In addition to helping patients in our own community, LifeServe strives to help other parts of the country when supply allows. The center has been able to respond to the needs of other blood centers across the country such as providing blood/blood products to help victims of hurricane Irene, and last year, blood supplies were shipped to Haiti after the horrific earthquake. LifeServe Blood Center belongs to a national organization that helps with the distribution of blood when disaster occurs. "People in the Midwest give blood and give often. They know it is the right thing to do and are willing to help others. When we are called to help, we try and step up to the plate every time," said Sime.

Strategic Focus Areas

In an effort to be the best, most efficiently-run organization possible, Stacy cited three areas she and her team members strive to achieve:

- **Service.** LifeServe Blood Center works diligently to create an environment that makes blood donors feel valued and respected each and every time they donate blood. "We want it to be a WOW experience for them 100% of the time so they realize how much they are appreciated and how important their donation is," Stacy added.

- **Cost Containment.** As a non-profit organization, LifeServe Blood Center is committed to keeping costs as low as possible. Blood collection supplies and testing equipment can be expensive as well as staffing costs. "We want to be good stewards of the blood supply and work diligently to keep our costs down," said Stacy.

- **Emerging Leaders.** The center is a highly technical, highly specialized organization. According to Stacy, it is imperative they continue to develop and grow leaders within their organization for the future of the community. Several programs are in place and being developed to assure visionary leadership will continue for generations to come.

What Does the Future Hold?

Being partners in the health care field, the LifeServe Blood Center is expanding their horizon. While blood donation and transfusions will

always be a critical component of what they do, they have the ability to do more. Stacy indicated that in recent months they have begun to perform innovative cell treatment therapy to fight cancer, assist with anemia management and other diseases.

If you would like more information on how or where you can donate, please contact the Center at 1-800-287-4903, or visit them online at www.lifeservebloodcenter.org. Remember, every two seconds someone, somewhere needs blood, and the rarest type is the one not on the shelf when a patient needs it. ■

by Rose Breuss
Marketing Director



The LifeServe Blood Mobile