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client TALK

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PROFILE: NEPS, LLC

In a world where computers store unprecedented volumes of information, turning that data into properly designed, accurate, easily understood documents is a constant challenge. It is at the intersection between data and document production that NEPS, LLC, has carved out a robust business niche. With an office in Chicago and its main operations in Salem, N.H., where the company was founded in 1988, NEPS serves a range of industries, from leading financial services firms, insurance companies and hospitals to auto manufacturers, gaming operators and hospitality companies.



Richard Heuer

Richard Heuer, who combines the role of chief financial and chief operating officer, divides his time between the Chicago and Salem locations. Meanwhile, company president and co-founder Denise Miano oversees the Salem office, where 30 of NEPS' 45 employees are based.

NEPS has two distinct business units, explains Heuer, who has been with the organization for two years. One segment, known as EPS (which stands for Enabled Printed Solutions) helps companies convert manual, pre-printed forms to automated, on-demand print forms generated at the point of need with all required data included. The primary industries served by EPS are healthcare, gaming, automotive and financial services.

For health care, NEPS developed its Health e-Connect™ family of care solutions that integrates easily with hospital information systems to deliver such essentials as patient admissions packets, photo wristbands, secure pharmacy labels, photo ID cards, patient records and more.

For the gaming industry, NEPS created its Dealer's Choice solution that helps track all the activity in a busy casino and quickly generates the accurate documents that must be printed in the casino pits and restaurants or when guests check in or out.

The second major component of NEPS is its strategic consulting services, primarily geared to the needs of insurance and other financial services providers.



"We offer a range of options that are compatible with clients' existing software systems, yet let them create the forms and communications needed to meet their business needs and comply with the regulatory frameworks under which they operate," Heuer explained.

A national insurance company marketing a single product in numerous jurisdictions, for example, must generate a unique set of documents for every customer, and each set must comply with relevant local regulations. What's more, those regulations are likely to change over time, and all documents related to the product must be kept abreast of those changes.

Through its CMX enterprise content management and production systems, NEPS gives clients the ability to manage forms, images, complex publications, presentations, reports, records and statements on paper or via the Internet.

"Our consulting services often act as a specialized supplement to our clients' own I.T. capabilities," said Heuer. "Frequently we have the knowledge and resources to achieve their objectives more quickly and cost effectively than in-house staff can. Not long ago, for instance, an insurer wanted to develop a comprehensive system to print, store and retrieve its policy documents for a new line of business. After its own I.T. department estimated the project would take 18 months, the company turned to NEPS, and we were able to get the entire operation up and running in 105 days."

NEPS also assists companies in designing new, more effective communications, whether that is a monthly account statement, hospital wristband or an explanation of insurance coverages. Designing documents that convey the right information in a way that meets the needs of the recipient as well as the sender, is a specialized discipline, and NEPS designs have won numerous DALBAR awards for outstanding financial communications.

Another way in which NEPS distinguishes itself is its flexibility in service delivery, which in turn gives NEPS' clients multiple options for meeting their financial objectives. Clients can take solutions in-house, using their own staff and equipment, or they can work with NEPS to put in place a solution that relies in part or entirely on an outsourcing strategy. Also, NEPS provides comprehensive hosting services through a Software as a Service (SaaS) approach, allowing companies to avoid or significantly delay capital expenditures and enjoy the benefits NEPS delivers while treating the cost as an operating expense.

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“Whether we are providing what amounts to a turn-key service that we fully manage or we develop the right software to work with an existing in-house system or provide something in between those alternatives, our goal is to give clients a solution entirely tailored to their needs,” Heuer said.

Its comprehensive blend of capabilities has spurred the growth of NEPS, making it a nationally recognized leader orchestrating information delivery for major businesses. Yet, with that success came new challenges.

“Our work with major companies almost always reaches a point where they begin asking detailed questions about our

financial position. After all, if they were committing to a multi-year contract with us, they needed to undertake their own due diligence,” Heuer said.

That and other needs prompted Heuer to begin thinking about making sure NEPS had access to auditing capabilities and other resources that would meet its needs as the business grew.

“I had worked with Jon Segal some years ago before he joined KRD and called him just to get some advice on an issue related to that year’s audit,” recalled Heuer. “As we talked, it became clear that KRD had the experience and resources we needed, not just for audit and tax compliance work but also for tax and business planning. KRD certainly has delivered on those, but just as important, I’ve been impressed with the speed and quality of their response. We have to do that for our clients, and KRD certainly has done that for us. And in the process, Jon has become a trusted advisor to me and our business.” ■



Retirement Income Sources

Concerns about shortfalls in traditional retirement income sources like social security and pension plans have caused people to expect to rely more heavily on personal savings to fund their retirement.

The graph illustrates that while only 47% of current retirees utilize their personal savings for retirement income, 70% of current workers anticipate personal savings to play a role during retirement. Further, 75% of workers expect to receive retirement income from an employer-sponsored retirement savings plan, while only 40% of those already retired actually receive income from such a source.

It may be a good idea to plan for a diminished reliance on Social Security or a pension plan. Whatever extra funds you save by taking this more conservative view will make retirement all the more enjoyable.

Times are Changing:
Sources of Retirement Income are Shifting



Source: Employee Benefit Research Institute, 2009 Retirement Confidence Survey.

HOLIDAY TOY DRIVE

On behalf of La Rabida Children’s Hospital, KRD is conducting its

SEVENTH ANNUAL HOLIDAY TOY DRIVE

If you would like to participate, please bring a new toy (unwrapped) to the KRD office in Schaumburg no later than December 17

If you prefer, call our office at 847-240-1040, and we will be happy to pick up your donation.

Please make the holidays happier for the children at La Rabida. Thank you for your support.

And have a wonderful holiday!



Take Note of These Changes in Depreciation Rules

Section 179 First-Year Depreciation Deductions Doubled for 2010 and 2011

The Section 179 deduction privilege allows many small and medium-sized businesses to write off most or all of the cost of qualified new and used assets in the first year rather than depreciating the cost over a number of years. A new law doubles the maximum annual Section 179 deduction to \$500,000 for eligible assets placed in service in tax years beginning in 2010 and 2011 (up from the \$250,000 maximum that applied for tax years beginning in 2009). Qualified assets include most types of depreciable personal property (including computers, other equipment and furniture) and most purchased software. For the first time, some types of real estate improvement costs also qualify (more on that later).

However, larger businesses can lose all or part of the Section 179 deduction allowance because of an unfavorable phase-out rule. Under that rule, the deduction allowance is reduced dollar for dollar by the cost of qualifying assets placed in service during the year (those that would otherwise be eligible for the Section 179 privilege) in excess of the applicable threshold. Now, for tax years beginning in 2010 and 2011, the phase-out threshold has been increased to the quite-generous level of \$2 million (way up from the \$800,000 threshold for tax years beginning in 2009). Thanks to this change, far fewer businesses will be tripped up by the phase-out rule in 2010 and 2011.

Note: Watch out if your business already has a tax loss for the year (or is close) before considering any Section 179 deduction. You can't claim a Section 179 write-off that would create or increase an overall business tax loss for the year. Please contact us if you think this might be an issue for your operation.

Some Real Property Improvement Costs Qualify for Section 179 Depreciation Deductions

Until now, improvement costs for real property were ineligible for the Section 179 deduction privilege. That's no longer true. For tax years beginning in 2010 and 2011, up to \$250,000 of qualified improvement costs for the following types of real property can be immediately deducted under the Section 179 deduction provision:

- Interiors of leased nonresidential buildings.
- Restaurant buildings.
- Interiors of retail buildings.

The \$250,000 Section 179 allowance for real estate improvements is part of the overall \$500,000 allowance. Again, watch out if your business already has a tax loss for the year (or is close) before considering any Section 179 deduction. You can't claim a Section 179 write-off that would create or increase an overall business tax loss for the year.

50% First-year Bonus Depreciation Retroactively Reinstated for 2010

Congress also has retroactively reinstated for one year the 50% first-year bonus depreciation provision for qualifying new (not used) personal property assets and purchased software placed in service by 12/31/10. Before this retroactive change, the bonus depreciation provision had expired as of 12/31/09. It's now back for eligible assets placed in service by the end of this year.

Unlike Section 179 deductions, bonus depreciation is available to even the largest businesses. However, small and medium-sized firms that can take advantage of both the Section 179 deduction and bonus depreciation are the biggest winners.

Bigger First-year Depreciation Deductions for New Autos and Light Trucks for 2010

There is also good news if your business buys a new (not used) passenger auto or light truck during 2010 that is subject to the dreaded luxury auto depreciation limitations (most passenger vehicles are, except for big SUVs, pickups, and vans). The reinstated 50% bonus depreciation write-off increases the maximum first-year depreciation deduction by \$8,000 for vehicles placed in service by 12/31/10.

- For new cars, bonus depreciation raises the maximum first-year depreciation write-off for 2010 to \$11,060 (assuming 100% business use).
- For new light trucks, the maximum first-year depreciation deduction for 2010 is raised to \$11,160 (assuming 100% business use).

Take Note of New Rules for 1099s

New rules governing requirements for issuing Form 1099s will soon take effect. Even if you haven't had to issue these forms previously, you'll want to see if the new rules impact you.

Rental Property Owners Must Issue 1099s to Service Providers

Starting in 2011, owning a rental property generally will be considered a business for purposes of the dreaded Form 1099 information return reporting requirements. Therefore, rental property owners usually will be required to file a 2011 Form 1099 for any service provider paid \$600 or more during 2011 (for things like yard care, painting, and accounting). Also, a copy of the Form 1099 (a so-called payee statement) must be provided to each payee.

Note: Starting in 2012, another tax-law change included in the health-care reform legislation will impose onerous new Form 1099 reporting requirements for payments by businesses. Since owning rental property is now considered a business for purposes of the 1099 rules, property owners will be affected by the new requirements.

Harsher Penalties for Failure to Comply with Form 1099 Reporting Rules

Starting in 2011, the IRS can assess much harsher penalties for failing to file Form 1099 information returns with the IRS and failing to send copies to payees (so-called payee statements). In many cases, the penalties will be doubled. The new rules (which are quite complicated) will apply to Forms 1099 and payee statements due in 2011 and beyond. ■



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Legal Issues Related to Importation of Goods Were Focus of Breakfast Event

Attorney Erik Rock, an expert on the legal aspects of international trade, gave a special presentation on the current issues related to the

importation of goods and raw materials at a breakfast event in the KRD offices on Sept. 16. More than a dozen guests attended.

Mr. Rock is associated with Katten Muchin Rosenman, LLP, in Chicago. He specializes in trade issues and is the member of the firm's Customs and International Trade Practice.

The topics covered included reasonable care and customs penalties, tariff classification and country of origin determinations, including product marking. The speaker fielded a wide range of audience questions, especially on issues related to tariff classification.

Mr. Rock's presentation on that topic emphasized the risk associated with incorrect classifications and the need for careful due diligence on the part of the importer. He noted that while importers often rely on the advice and accuracy of their import broker, it is the importer, not the broker, who will be held accountable by the U.S. government for any mistakes. And those mistakes can be costly. According to Mr. Rock, the financial penalties for errors involving imports can be onerous enough to threaten the ongoing viability of the importer's business.

Among the factors that make classifying imported goods so challenging is that some goods require multiple classifications in order to comply correctly with government rules. For example, the importer of electric toothbrushes must classify them as both a toothbrush, a category with its own number, and as an electrical appliance.

Audience reaction to the morning's program was excellent, and additional breakfast programs are likely to be scheduled in the year ahead as KRD searches for new ways to help its clients deal successfully with the many challenges they face in today's complex business environment. ■

Katten

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Health Premiums Can Be Deducted in Calculating 2010 Self-Employment Taxes

Until now, a self-employed individual's health insurance premiums could *not* be deducted as an expense when calculating his or her self-employment tax liability on Schedule SE even though they might be deductible for federal income tax purposes.

Now that rule has changed and for 2010 taxes, the health insurance premium deduction *is allowed* as an expense on Schedule SE. This can be a fairly big deal, especially if your health insurance deduction is significant. ■



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