

clienTALK

SPRING 2010



Welcome to the spring issue of clienTALK. Our featured client in this issue is Interactive Health Solutions, Inc. Founded by Jim Banks in 1992, the company is enjoying strong growth and providing a necessary service to businesses of all sizes. Today, preventive health care is a necessary measure to keep medical costs down and improve employee productivity. Take a few minutes and read this most informative article.

On pages two and three, get up to date with some current business and tax news.

Page two includes an article on the tax credit for first-time homebuyers and long-time residents. While the credit expires on April 30, you still have time to take advantage of this program.

Also on page two, you will find important information on the Credit CARD Act of 2009. The new rules are intended to protect consumers from unfair credit card billing practices. Then, be sure to read the article on how the IRS intends to focus heavily on misclassified workers in the next three years.

Finally, on page three, review the ten tips to reduce the risk of an audit.

Enjoy the spring.

The partners at KRD

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Consider these facts: An estimated 58 percent of the employees in a typical company have at least one chronic medical condition that is either unknown or not being treated. Even more astounding is the fact that fewer than five percent of employees with company-sponsored health insurance receive a comprehensive medical checkup every year.

These somewhat compelling figures are based on commonalities among typical employee populations, according to Jim Banks, Founder and Chairman of Interactive Health Solutions, Inc., the nation's premier Population Health Management Company. Banks founded IHS in 1992 to help employers control medical costs and increase productivity through a program of prevention.

Today, IHS provides a HIPAA-compliant, turnkey health awareness and preventive care program for 1,200 fully-insured and self-insured companies nationwide. Client companies range from firms with 100 to 50,000 employees.

The program rewards healthy employees who "stay healthy" as well as at-risk employees who effectively address their medical conditions. The process is greatly enhanced by employers offering an incentive program as part of their efforts to reduce health care costs.

So how does the program work? Let's take a 45-year-old male who works at XYZ company. As a participant in the 12-month preventive care program,



IHS Management Team (L-R) Joseph O'Brien, president; Jim Banks, Chairman; Joe Papier, vice president of finance; and Robert Reed, media relations.

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Home Sweet Home

The clock is ticking but there is still time to buy a home and get a tax credit.

Thanks to The Worker, Homeownership and Business Assistance Act of 2009, the deadline for qualifying home purchases has been extended to April 30, 2010.



A buyer who enters into a binding contract by this date has until June 30, 2010, to close the deal.

For first-time homebuyers, there is a refundable credit equal to 10 percent of the purchase price up to a maximum of \$8,000 (\$4,000 if married filing separately). To be considered a first-time homebuyer, you and your spouse—if you are married—must not have jointly or separately owned another principal residence during the three years prior to the date of purchase.

The new law also expands the tax credit to include long-time residents who buy a new principal residence. They are eligible for a credit of 10 percent of the purchase price up to a maximum credit of \$6,500.

To be considered a long-time resident, you and your spouse must have lived in the same principal residence for any consecutive five-year period during the eight-year period that ended on the date the new home is purchased. And, your settlement date must be after November 6, 2009.

The full credit will be available to taxpayers with a MAGI up to \$125,000, or \$225,000 for joint filers.

For all qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 income tax return. ☐

Credit CARD Act of 2009

At the end of February, banks began complying with the many provisions of the Credit Card Accountability, Responsibility and Disclosure Act. The new rules are intended to protect



consumers from unfair credit card billing practices. Unfortunately, many card issuers raised their rates before the new rules went into effect. Major changes include longer advance notice of rate hikes (45 days vs. 15 days), fee

restrictions, the end of double-cycle billing, fairer payment allocation (above-the-limit payments will be applied to higher-rate balances first), more time to pay (21 days vs. 14 days) and gift card protections.

For the first year after you open an account, your credit card company cannot increase your interest rate, unless an introductory rate expires, a variable index rate changes or you are more than 60 days late in paying your bill.

In still another provision, credit card issuers are banned from issuing credit cards to anyone under the age of 21, unless they have adult co-signers on the accounts or can show proof they have enough income to repay the debt.

While the bill will improve consumer disclosures, it does not cap interest rates and/or fees.

Some industry experts predict that credit card companies may raise fees on items such as balance transfers and cash advances to make up for lost revenue. These possible fee increases make it more important than ever to carefully read the correspondence your credit card company sends you. No more shredding! ☐

IRS to Focus on Misclassified Workers

Do you have any independent contractors working for you? If you do, you will want to pay close attention to the following information.

The President's 2011 fiscal year budget allocates \$25 million specifically for the Department of Labor (DOL) to target misclassification of workers with 100 additional enforcement personnel and competitive grants to boost state's incentives to address this problem. The efforts are expected to increase Treasury receipts by \$7 billion, to be collected in the next ten years, from firms that misclassify workers.

Misclassifying independent workers and even temporary laborers that the IRS deems should be treated as employees can carry a huge pricetag in unpaid payroll taxes, penalties and interest. The Labor Department estimates that up to 30 percent of companies misclassify their workers and another federal study showed that 3.4 million individuals who should have been included on payrolls were not.

But wait, there's more. In February, the IRS launched a program to exam 6,000 randomly selected companies (2,000 per year for three years). The IRS' primary focus will be on worker classification, executive compensation, fringe benefits, nonfilers and reimbursed expenses.

So who is an "employee" for purposes of employment classification? Well, the IRS has a 160-page training guide for its agents to help classify workers.

The IRS uses three categories to determine whether a worker is an independent contractor or an employee. It all comes down to whether the employer has the *right to direct and control the work of the worker*.

Here is a summary of the three categories:

Behavioral control—who has the right to direct or control how the worker performs a task such as when and where to do the work, what tools or equipment to use, how to accomplish the task at hand.

Financial control—is payment for services guaranteed or paid on an hourly basis or flat fee basis.

Relationship of the parties—are there employee benefits paid and/or is there a written, contractual agreement? ☐

Ten Tips for Small Businesses to Reduce the Risk of an Audit

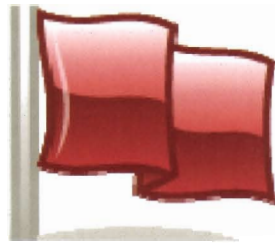
Nobody wants to be audited. To lessen the risk of an audit, consider the following ten tips:

Make your business a business, not a hobby. If you are in your third year of business and report a third year of losses, that's going to raise a red flag with the IRS. If you can show the IRS the evidence, they may understand that you're a loss-making small business—for a while. If you are in your fourth year and still taking a loss, expect the IRS to inquire when you plan to start earning income.

Report your income accurately. If a client pays you \$2,250 for your service, do not round that down to \$2,000 while your client reports the actual number. The IRS does cross-check.

Understand your tax information. If you use a tax preparer or CPA, ask questions about what they are doing and why. Ultimately, you are responsible for the accuracy of your company's tax return and that means that you will be liable for any additional taxes, interest charges and penalties, if you get audited.

Prepare to be audited. Keeping accurate records of income and expense is a must for all businesses. That shows the IRS that you're not guessing at your numbers.




Pay estimated taxes if you're a sole proprietor or independent contractor. Pay estimated taxes on time and keep them current.

Don't ignore notices from the IRS. If the IRS is trying to get your attention, respond while it's still a polite call. Ask your CPA for help if you don't understand what it is the IRS wants.

Watch out for the dirty dozen. The IRS publishes a "dirty dozen list" of the top 12 tax scams that they look for on tax returns. Don't involve yourself in any of them.

Don't borrow from withheld taxes. Your business has employees, and you've been withholding taxes from their paychecks to pay the IRS. NEVER borrow from the withheld taxes thinking you'll pay the money back the next month. The penalties for not paying withheld taxes are astronomical!

The IRS isn't stupid. It has a pretty good idea of what your company's taxable deductions should be. If your business earned income in the lower end of the range and your tax deductions are in the higher end, it may raise a red flag.

Don't try to claim credits you're not entitled to. If you have not hired any recently released felons, you need to find other reasons to claim the WOTC. 

Information for this article came from company.com, a website for small and medium-sized businesses.

Per Diem Rates Edge Up Slightly


The IRS recently announced new per diem rates applicable to the 2010 fiscal year. The per diem rate for high-cost areas increases to \$258 (\$193 for lodging plus \$65 for meals and incidental expenses). But that's just \$2 more per day than the rate for the prior year.



The per diem rate for all other destinations (low-cost areas) is \$163 (\$111 for lodging and \$52 for meals and incidental expenses), up \$5 per day.

Although many employers know about the different per diems for high-cost and low-cost areas, they generally are not aware of the following tax maneuver.

The strategy is to mix and match per diems for your employees. There's no tax rule that says you must use the same method for all employees.

For example, to reduce paperwork, you might use the high-cost/low-cost method for employees who travel extensively on business, especially if they usually go to major cities. Other employees can use the actual expense method if they travel frequently to low-cost areas. 

Mark Your Calendar

LA RABIDA CHILDREN'S HOSPITAL

July 11, 2010—Women in Support of La Rabida
"Cruising on a Sunday Afternoon"

July 22, 2010—6th Annual "Lace & Pearls" Lawn Fete

August 2, 2010—Annual Business Council of La Rabida
Golf Classic

October 29, 2010—Friends of La Rabida Gala Dinner

CHILDREN'S ONCOLOGY SERVICES

April 24, 2010—Campfire Ball

CHILDREN'S ONCOLOGY SERVICES OF MICHIGAN

April 28, 2010—American Dream Flite

URBAN STUDENTS EMPOWERED

May 5, 2010—Annual Fundraising Gala

KENDALL COLLEGE

April 29, 2010—75th Anniversary Celebration

Interactive (Continued from page 1.)

he receives a thorough health assessment including a complete medical history and a comprehensive set of blood tests. All this is done right on the job site, or at a nearby testing facility.

Within 48 hours, his personal health evaluation is available. The information is presented in an easy-to-read booklet containing a risk analysis for common chronic illnesses such as heart disease, diabetes and thyroid.

Finally, customized goals and a course of action is recommended by Interactive Health Solutions' own medical professionals (physicians, phlebotomists, counselors and nurses).

If the employee needs to improve his score in any area, he is given a target goal to reach by the time of his next scheduled health screening. It is also recommended the employee visit his own physician to go over the results.

"Our program is a win-win situation for everyone," explains Banks.

"Employees are assessed before they become symptomatic, rather than after they become ill and start incurring medical costs."

Healthy Employees—Healthy Bottom line

Interactive Health Solutions guarantees very high employee participation—on average, 85 percent with measurable results, according to Banks. And there is no cost to the employer.

He explains that a preventive care program benefits both the employee, who may enjoy a more active life, and the employer, who gains more productive workers and lower health insurance costs.



Joseph O'Brien, IHS president, adds: "Population health management also saves lives. Our screenings have, in fact, revealed life threatening conditions among some client employees."

A Recession Proof Business

While insurance costs keep rising, a cost-effective program like the one IHS provides is always in demand, states Banks.

"The more talk there is in the media about health and wellness, the more employers seek out our service. We

have enjoyed substantial growth each year (20 to 40%), and our goal is to continue to meet market demands."

Proven Cost Savings

For the past eighteen years, Allen Kutchins and the staff at KRDC have served as Interactive Health Solutions' outsourced tax department. In that role, they have kept a close eye on the company's financial picture so they can continue to enjoy maximum growth.

"We've worked with Allen since we opened our doors—he walked us through all of the startup steps and has continued to offer sound, professional advice on tax and accounting matters," comments Joe Papier, vice president of finance.

He adds: "Allen has great insight into what people need to run a successful company. When I ask questions, he does his research and comes back with well-reasoned answers.

"Why do we like to work with Allen and the team of professionals at KRDC? Integrity—that sums it up!"

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