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2006 Office Newsletter

At the start of each year, I enjoy the opportunity of informing you about the many changes that have occurred at John Davis & Associates over the past year. It is my pleasure to provide you with an update on the office and provide you with some additional information on the firm and the projects we have been working on over the past year as well as some of the things we will be working on in 2006.

2006 Firm Goals

Each year I make a detailed presentation to the firm – something I refer to as the **State of the Firm**. We review all our accomplishments over the prior year and detail our goals for the upcoming year. This includes practice operating goals, staff goals, marketing goals and financial goals. This way we start each year with everyone on the same page and agreed upon expectations.

We always set stretch goals for the firm which I believe have helped make us a leading CPA firm. As we discuss in more detail later our concern for your privacy has moved us to be the first firm in the area to be **entirely paperless** in processing returns. Some of our goals for 2006 include real growth of 20% and further development of our specialty areas and expanded services to clients in the form of estate and financial planning. We feel so strongly about the financial planning aspects for individuals we intend to roll out a program for elementary and middle schoolers by the fall of this year.

Staff News

We have continued to increase our tax season staff and feel fortunate to have **Lisa Roy** return from last year (Lisa focuses on individual taxation and actually works part time year round).

New full time staff we added in 2005 includes **Stephanie Breault** and **David Brace**. Both are year round associates that will focus on corporate and individual tax return preparation. We have also added **Tanya Pelletier** and **Mary Robert** to help out during tax season with individual tax preparation.

At the front desk we are pleased to have **Anna Perreault** greeting you and **Laura Swedo** has recently joined us in the administrative area.

Your 1040

Each year as we work on your tax returns we try to keep in mind what areas we would like to see addressed if we were a client. Of course we also listened to your comments (we actually do read your annual client surveys). Some of our changes are as follows.

Tax Organizer Again this year we have tried to further streamline your Tax Organizer. Whenever possible you should simply provide us with tax forms themselves (1099, 1098, W-2, etc.) and not worry about completing every amount on your form. Please complete only the questionnaire and those sections that do not have a corresponding tax reporting form. Also, because we prepare all returns for electronic filing, please be sure to complete the electronic filing elections form.

NEW for 2005 we will give you the option of receiving a CD or access to a secure website that will contain your current and prior year tax returns so you can easily print or e-mail additional copies. Our goal is always to make the entire tax return process as simple as possible for you.

The Organizer has several options we ask you complete – including various electronic filing options, selection of a premium level of service if desired and as noted above, how you would like to have access to additional copies of your returns.

Paperless Over the past two years we have been working toward an entirely paperless office in preparing your tax return. I am extremely pleased to say that overall it has been a huge success. We have found it to be a savings in time, paper and storage space.

Part of the purpose for us in going paperless is to make your information more secure. See our enclosed newsletter on **Identity Theft Protection**. It is almost impossible to keep paper copies of your information entirely secure. This is particularly troublesome considering the number of documents in our office with client social security numbers and other personal data. On the other hand, once documents are scanned there is much more limited access to your data. Our approach is to immediately scan all incoming information and then return the originals to you.

As part of our efforts to reduce paper documents, we will be contacting you this spring to ask if you want our copies of your prior year documents returned to you or if you would prefer to have us securely shred them.

For our "paperless" records we will maintain at least seven years of your tax returns and four years of source documents. All other paper documents will either be returned to you (at your request) or will be properly and securely destroyed.

Electronic Filing of Returns We are pleased to inform you that we have been approved for electronic filing of ALL federal tax returns (both business and individual). In addition, we have been approved by all states that can be filed electronically for this year. Our recommendation, because of simplicity and speed, is that all returns be filed electronically and refunds direct deposited. It is only a matter of time before it is mandatory as it is currently in some states.

Communication This year, when your return is started you will receive an e-mail notice from the associate in our office working on your return. This will provide you with a name and contact should you have any questions and also to let you know we have your information and are working on it. We have found e-mail to be extremely efficient and less *obtrusive*. Please be sure we have your correct e-mail address on file.

Drop Box We have installed a drop box outside our office should you be passing by outside of our working hours. Admittedly the main door is not always open, but if it is you can now securely drop off your information.

Vermont Tax Update As with last year you are required to file a Form HS-131, Declaration of Vermont Homestead. The form is required if you are a Vermont resident and own and occupy a Vermont property as your principal residence as of April 1st of each year. The form is used to determine at what rate your property will be taxed, so you must file the form by April 18th. Because we have all the required information from your prior year returns, **we will be filing the form on your behalf** as part of your Vermont package (at no additional charge).

Tax Nuisance Letter Service In the past we have charged an additional fee for the nuisance letter service. However, beginning with the 2005 tax returns we will now be including this service in your return preparation. Due to the significant increase in errant notices both from the Vermont Department of Taxes and the IRS we feel it appropriate to **include tax responses as a part of our standard services**. This service does not include representation in the case of audits or preparation of amended returns if needed. As always, in the event that there are any errors on your return due to our oversight, we will respond to the IRS or Vermont on your behalf. If necessary, we will amend your return and pay any penalty you incur if it is due to our error.

IRS Audits on the Increase The IRS will be stepping up its audits of high income individuals in 2005 and 2006. With that in mind, the IRS forms and rules require you and us to answer more questions and to do more analysis than in the past. Not only are our questionnaires more detailed, but you may find it will take you longer to assemble your income tax data.

Levels of Service Again this year we are offering our clients differing **Levels of Service** that allows you to control when your tax return is completed. Many of our clients request their tax return be completed by a certain date each year for many different reasons and that can be challenging to accommodate during our busy time. To address this we established a **Multi-Tiered Fee** structure.

If you request **Silver** level we guarantee we will complete your return within three (3) weeks of receiving ALL of your information. At the **Gold** level we guarantee completion of your return within two (2) weeks of receiving ALL of your information. More importantly, this level includes a personal meeting to review your completed tax return to explain any issues we found and make tax planning suggestions for 2006.

If you do not choose either Silver or Gold, we will plan on having your return to you by April 18th. (Due to April 17th being Patriots Day, the filing date is April 18th this year.) However, anyone sending the majority of their information to us after April 1st will be considered Silver and also incur an additional charge of $100 to have their return completed by the 18th.

New Client Referrals

As mentioned before in our Goals, we are looking forward to substantial growth in 2006. To attain those goals we will be calling on each of you to think of others who could benefit from our services. We are sincerely grateful for all referrals that have come from our existing clients. We consider this the highest of complements to the firm and the quality of work we strive for. Included with your Organizer is a "Care Enough to Share" card. We are asking all our clients to give us the names of anyone they think may benefit from our services. Please complete one and return it to us. As a thank you for referring anyone who becomes a new client we will give you a **$25 gift certificate** to the restaurant of your choice.

JDA Financial Services

In our continuing quest to offer more to you than simply the best tax return preparation, we are always looking for ways for you to keep more of what you earn. We refer to this as wealth accumulation. Our related entity of JDA Financial Services can assist you in preparing a personalized financial plan to help you map out your financial security. Many of our clients fit into the "sandwich generation" needing to plan not only for their own retirement but also for their children's college education and possibly in caring for their elderly parents. Proper financial planning now is the best way to assure yourself of a comfortable retirement later.

Firm Affiliations

We continue to develop affiliations to allow us to provide you with additional valuable services. Some of these relationships include:

Summit Wealth Group - financial planning and investments

Ernst and Morris - cost segregation services

CPAConnect - tax and accounting issues & multi-state issues