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# UPDATE

Volume 36 Number 1 Spring, 2011

## SCAM Alert Suspicious E-mails and Identity Theft

The Internal Revenue Service (IRS) receives thousands of reports each year from taxpayers who receive suspicious e-mails or notices claiming to be from the Internal Revenue Service. They have issued several recent consumer warnings on the fraudulent use of the IRS name or logo by “scammers” trying to gain access to consumers’ financial information in order to steal their identity and assets. When scammers try to lure you into revealing personal information, it is called phishing.

Phishing is a scam where scammers send e-mail messages or other types of communications to trick unsuspecting victims into revealing personal and financial information that can be used to steal a victims’ identity. Current scams include phony e-mails or phone calls which claim to come from the IRS and which lure the victims into the scam by telling them they are due a tax refund.

The IRS periodically alerts taxpayers to, and maintains a list of, phishing schemes using the IRS name, logo or website clone. The IRS stresses that it does not initiate taxpayer communications through e-mail. The agency recommends that recipients of a message claiming to be from the IRS or the Electronic Federal Tax Payment System (EFTPS) adhere to the following advice: do not reply to the sender, access links on the site or submit any information to them; and, report and identify this or other phishing, e-mail scams and bogus IRS websites by forwarding the e-mail or URL information to IRS at [phishing@irs.gov](mailto:phishing@irs.gov).

## 2010 Tax Relief Act Creates a 100 Percent Write Off for Heavy SUVs Used Entirely for Business

Although generous tax breaks for gas-consuming heavy SUVs have, in the past, raised the ire of Congress, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Relief Act) actually made tax breaks for these assets even more generous. Although it may be an unintended result, the limited-time 100 percent bonus depreciation allowance for qualified property under Code Sec. 168(k) allows taxpayers that buy a new heavy SUV and use it entirely for business to write off the entire purchase price in the placed-in-service year.



**Background.** For tax years beginning in 2010 and 2011, taxpayers generally may elect under Code Sec. 179 to expense up to \$500,000 of the cost of eligible personal property used in the active conduct of a trade of business. However, depreciation dollar caps apply to the combined allowable deduction under code Sec. 179 and the Modified Accelerated Cost Recovery System (MACRS) depreciation for “passenger autos.” The dollar caps apply to passenger autos, i.e., four-wheeled vehicles manufactured primarily for use on public streets, roads, and highways, and rated at an unloaded gross vehicle weight (GVW) of 6,000 pounds or less. (Certain types of vehicles, such as ambulances, are excepted.) For a truck or van, the 6,000-pound test is applied to the truck’s or van’s gross (loaded) vehicle weight. The first-year dollar caps for vehicles bought and placed in service in 2010 were \$3,060 for passenger autos and \$3,160 for trucks or vans (the 2011 limits haven’t been released yet).

For passenger autos that are eligible for bonus first-year depreciation under Code Sec. 168(k), (i.e., generally, new vehicles acquired and placed in service after December 31, 2007 and before January 1, 2013), the regular first-year dollar cap on depreciation and Code Sec. 179 expensing is increased by \$8,000. Thus, for example, unless the taxpayer elects out of bonus depreciation, the enhanced first-year dollar caps for eligible passenger autos placed in service in 2010—including those trucks and vans that are treated as

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Contact us at: 235 N. Executive Drive, Suite 160 / Brookfield, WI 53005-6064 (262) 797-9050

1040 Oconomowoc Parkway / Oconomowoc, WI 53066-4621 (262) 567-6540

138 Hospital Drive, Suite 100 / Watertown, WI 53098-3723 (920) 261-6767

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## 2010 Tax Relief Act - Continued from page 1

passenger autos for purposes of the dollar-cap rules (see above) are \$11,060 for autos and \$11,160 for the trucks and vans.

Heavy SUVs - those with a GVW rating of more than 6,000 pounds - are exempt from the luxury auto dollar caps because they fall outside of the definition of a passenger auto. To deal with this "SUV tax loophole," the American Jobs Creation Act of 2004 imposed a limit on the expensing of heavy SUVs. Under Code Sec. 179(b)(6), not more than \$25,000 of the cost of a heavy SUV placed in service after October 22, 2004 may be expensed under Code Sec. 179. These rules apply, with some exceptions, to SUVs rated at 14,000 pounds GVW or less.

Also, because heavy SUVs are exempt from the luxury auto dollar caps, the balance of the heavy SUV's cost may be depreciated under the regular rules that apply to five-year MACRS property. Before the 2010 Tax Relief Act, if the heavy SUV was new and acquired after 2007 and before 2011 by the taxpayer for use in its trade or business (and it was otherwise eligible for bonus depreciation), the taxpayer also could, in the placed-in-service year, write off 50 percent of the cost of the heavy SUV that was not expensed and claim a regular 20 percent first-year depreciation allowance for the balance of the cost.

**RIA illustration:** A calendar year taxpayer bought a \$50,000 heavy SUV in June, 2010 and used it 100 percent for business in 2010. He or she may write off \$40,000 of the cost of the vehicle on its 2010 return, as follows:

- ...\$25,000 expensing deduction, plus
- ...\$12,500 of bonus first year depreciation ( $\$50,000 - \$25,000$  of expensing times  $.50 = \$12,500$ ), plus
- ...\$2,500 of regular first-year depreciation ( $\$50,000 - \$25,000$  of expensing -  $\$12,500$  bonus depreciation times  $.20 = \$2,500$ ).

**Now 100 percent first-year write-offs for heavy SUVs.** Under the 2010 Tax Relief Act, the bonus first-year depreciation percentage is 100 percent (instead of 50 percent) for bonus-depreciation-eligible "qualified property" that is generally acquired and placed in service by the tax payer after September 8, 2010 and before January 1, 2012. Qualified property includes property to which MACRS applies with a recovery period of 20 years or less. Autos and trucks are five-year MACRS property and thus qualify for bonus depreciation (assuming business use exceeds 50 percent of total use).

A taxpayer that buys and places in service a new heavy SUV after September 8, 2010 and before January 1, 2012, and uses it 100 percent for business, may write off its entire cost in the placed-in-service year. There is no specific rule barring this result for heavy SUVs.

## IT Corner

### Services That Are Easy on the Budget

By Griffin Katzman  
Network Administrator

With technology constantly changing, it's hard to keep up with the latest and greatest services available. You want to keep your systems running smoothly and up to date, but you don't want to spend too much. Here are just a few services that may be helpful for you and are inexpensive.



You want to make sure your system and your e-mail are protected from spam, viruses, worms and phishing. **Barracuda's Email Security Service** is an example of a free or inexpensive solution that works. The service protects both inbound and outbound e-mail and they offer mail filtering for domains up to 10 mail boxes for free. This is a full-featured service that works well, is cost effective, and can be managed from any location.

Many businesses and their employees enjoy the reliability and usefulness of receiving their corporate mail on their smartphone. Many of you may consider the BlackBerry as a solution. Research in Motion has a product called **BlackBerry Enterprise Server Express**. This is a management tool that synchronizes Microsoft Exchange and IBM Lotus with your BlackBerry smartphone which gives the user access to their work e-mail, calendar, contacts and more from their personal BlackBerry smartphone. Server Express is free along with the client licenses that it requires.

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## Medical Expenses – What Can You Deduct?

This is the time of year when many of us begin the frantic search for tax deductions. While most of the deductions allowed were set in stone on December 31, 2010, there might still be some gems to uncover in your 2010 costs. One of them could be found in your medical expenses.

### Limitations

As an overview, medical expenses are deductible to the extent they exceed 7.5 percent of your adjusted gross income (AGI). If your AGI (Line 38 of Form 1040) is \$100,000 and you have medical expenses totaling \$10,000, your deduction on Schedule A would be \$2,500, or \$10,000 - (7.5 percent of \$100,000).



One item that can be included in medical expenses is health insurance costs. If you are self-employed and are not covered under your spouse's employer-sponsored group plan, the premiums you pay are deductible from your gross income rather than Schedule A so you don't have to exceed 7.5 percent of AGI. Additionally, contributions to Medical Savings Accounts and Health Savings Accounts are deductible on Form 1040 and not Schedule A. The remainder of this article assumes that you are not eligible for the self-employed health insurance deduction.

### Insurance Premiums

Assuming you do not qualify for a self-employed health insurance deduction, insurance premiums you pay for health coverage are deductible as medical expenses.

Payments for long-term care insurance can also be included as medical expenses. There is, however, a limitation on the deductible amount based on your age at the close of the taxable year. For 2010, the deduction ranges from \$330 for those under age 40 to \$4,110 for those older than 71.

### Out-Of-Pocket Medical Costs

Out-of-pocket medical costs include:

1. Unreimbursed doctors' fees, including co-pays and other amounts paid to a physician's office

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*IT Corner - Continued from page 2*

**WKMR Remote Backup for Accounting files.** This is a free service that WKMR Technology Solutions, LLC offers to our clients. With this software you can:

- ◆ Automatically and securely back up your business data using your internet connection;
- ◆ Easily select what you want backed up, when you want it to happen, and how many revisions of your data you would like to keep;
- ◆ View real time statistics of back-ups in progress or have WKMR Remote Back-up send you email notifications of completed back-up jobs;
- ◆ Recover files easily. Whether someone deleted an entire folder or you simply want to use a previous version of a document, restores can be performed on the spot and by you; and,
- ◆ Transfer files securely. Your data is encrypted before transmission occurs over a secure socket layer (SSL). You'll have the confidence of knowing your files are safe and will be there when you need them.

WKMR Technology Solutions, LLC can also work with you on back-up testing and verifications, retention policies, revision controls, and disaster recovery planning and prevention, infrastructure audits and other general technology consulting.

These are just a few inexpensive ideas to help you stay on track with the changing and advancing technology. Give us a call if you have any questions or would like more information.



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# UPDATE

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## Client Profile

### **Behavioral Measures Midwest, LLC and Behavioral Measures Forensic Services Southwest, Inc.**

*Rick Holden  
&  
Bill Scheve*

When you hear the phrase “polygraph test”, you might think of some of the shows you see on television these days like, *Law and Order* or *CSI*. But Behavioral Measures Midwest, LLC specializes in this type of testing in “real life.”

While it’s not something people like to think about, in the United States alone there are almost 550,000 registered sex offenders. Polygraph testing has become one of the most valuable tools in the management of these sex offenders after they’ve been convicted. When used on post-convicted offenders these tests have been effective in encouraging them to be truthful about their past behaviors, possible recent relapses and high risk conduct.

Rick Holden has been involved in this field for almost 40 years. Today he is one of the nation’s leading experts in the field of polygraph testing and has successfully established three businesses committed to this type of testing – Behavioral Measures and Forensic Services Southwest, Inc.; Behavioral Measures Institute; and, most recently Behavioral Measures Midwest, LLC.

Rick started his career as a psychologist with the Texas

Department of Corrections and served as a psychometrist for the Texas Rehabilitation Commission. In 1983 Rick founded Behavioral Measures and Forensic Services Southwest, Inc. located in Texas and currently serves as President for the organization as well as the Behavioral Measures Institute in Dallas, Texas.

In 1994 Rick was looking to expand and grow his business. He looked to an old friend to come on board and recruited Bill Scheve to join him in the Behavioral Measures, Dallas office.

During this time Rick had several contacts in the state of Wisconsin, and he and Bill were often in the state lecturing or conducting seminars on polygraph testing. They also worked closely with the state of Wisconsin in developing their current model for the assessment, treatment and rehabilitation of sex offenders.

With the help of his partner Bill, in 1999 they started Behavioral Measures Midwest, LLC which is located in Waukesha.

There are approximately 22,000 registered sex offenders in the state of Wisconsin alone. “Wisconsin is lucky to have some of the leading authorities and facilities in the field of sex offender rehabilitation,” Holden says.

“The state has leaders in the world of clinical assessment and treatment, leading authorities on civil commitment corrections and a leading treatment facility for civil commitment.”

The Wisconsin treatment and assessment model has been highly successful and serves as a model for other states and countries throughout the world. Both Rick and Bill thought Wisconsin was a perfect fit for them and Bill moved to Wisconsin to lead the effort.

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*Rick Holden, President  
Behavioral Measures Forensic  
Services Southwest, Inc.  
and  
Bill Scheve, President  
Behavioral Measures Midwest, LLC*



*Behavioral Measures - Continued from page 4*

Bill has over 30 years of polygraph and law enforcement experience. He began his professional career as a Special Agent-Chief Administrator of Personnel Security Investigations for the United States Air Force in Germany. He went on to become a Special Agent with The Air Force OSI and a polygraph examiner for the European Polygraph Region. After retiring from the Air Force in 1994 he became an investigator / polygraph examiner with the Prosecutor's Office in Passaic County, New Jersey. It was while he was in this position that he was recruited by Rick at Behavioral Measures and Forensic Services and joined this organization originally in the Dallas office.

Bill currently serves as President and Lead Examiner at Behavioral Measures Midwest, LLC. He also serves as the head of the polygraph program at the Sand Ridge Secure Treatment facility located in Mauston, Wisconsin, one of America's largest in-house civil commitment programs.

Behavioral Measures Midwest, LLC has a number of clients across the state. Their largest client is the Department of Community Corrections, and Bill spends most of his time traveling throughout the state performing Polygraph examinations. "We perform approximately 120 exams a month," says Scheve. "Each test takes about two to two and a half hours to perform."

Bill explained how the tests work. "The test measures physiological readings from at least three systems of the body, including respiratory, sweat gland systems and cardiovascular data," explains Scheve. "The tests show us where the offender stands emotionally, whether they may continue to be a threat to the public and helps reduce the risk of them reoffending."

If an offender fails the test an investigation is launched into why they failed. A failed test may result in increased sentences or increased supervision, depending on the outcome of the investigation.

Behavioral Measures Midwest, LLC also works closely with the Department of Prisons and the Sand Ridge Secure

Treatment Facility. They have several clients in the private sector that they also do exams for, including attorney's offices and therapists.

Most recently, Behavioral Measures has been asked to assist in setting up a similar protocol to that of Wisconsin in the United Kingdom. Both Rick and Bill are working with the Ministry of Justice and are using Wisconsin as the model for their polygraph program.

Through this growth, Winter, Kloman, Moter and Repp, S.C. has had the privilege of working with Behavioral Measures and their various entities. "Wes Jones and Lori Olson have not only helped us in our Midwest Operation, but have also been key in helping us in Texas and the other various states we do business in," said Holden. "Their ability to handle a multi-state operation and now international, have been key in running our business."

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**Behavioral Measures Midwest, LLC**

*P.O. Box 1425*

*Waukesha, WI 53187*

*[www.behavioralmeasuresmidwest.com](http://www.behavioralmeasuresmidwest.com)*

*262.521.3318*

**Behavioral Measures &  
Forensic Services Southwest, Inc.**

**and**

**Behavioral Measures Institute**

*1720 Regal Row*

*Dallas, TX 75235*

*[www.behavioralmeasures.com](http://www.behavioralmeasures.com)*

*972.437.4597*

# UPDATE

Volume 36 Number 1 Spring, 2011

## 2010/2011 Tax Facts

	2010	2011
<b>Social Security Wage Base</b>		
Maximum (OASDI) earnings limit	\$106,800	\$106,800
Tax rate (Employee portion)	6.20%	4.20%
(Note: Wages in excess of \$106,800 are subject to the 1.45% Medicare tax)		
<b>Maximum IRA Contributions</b>		
IRA & Roth IRA Contribution	\$5,000	\$5,000
Catch-up Contribution (over age 50)	\$1,000	\$1,000
<b>Maximum 401(k) Contributions</b>		
401(k) Employee Contribution	\$16,500	\$16,500
Catch-up Contribution (over age 50)	\$5,500	\$5,500
<b>Standard Deductions:</b>		
Joint or qualifying widow(er)	\$11,400	\$11,600
Single	\$5,700	\$5,800
Head-of-Household	\$8,400	\$8,500
Married, filing separately	\$5,700	\$5,800
<b>Personal Exemption Amount</b>	\$3,650	\$3,700
<b>Estate Tax Unified Credit Equivalent</b>	\$5,000,000	\$5,000,000
<b>Gift Tax Unified Credit Equivalent</b>	\$1,000,000	\$5,000,000
<b>Annual Gift Tax Exemption</b>	\$13,000	\$13,000
<b>Section 179 Depreciation Deduction</b>	\$500,000	\$500,000
<b>Business Standard Mileage Rate</b>	50¢	51¢

*Behavioral Measures - Continued from page 5*

Rick and Bill have both kept the profession in the family and the tradition going. Rick has two sons who are also in the field of polygraph testing. Both Bill's father and grandfather were polygraph experts and Bill said he built his first polygraph machine when he was just 13 years old for a science fair.

It's no wonder both men consider the business a family operation. Through hard work and discipline they have been able to grow their business together.



Medical Expenses - Continued from page 3

2. Unreimbursed dental fees
3. Unreimbursed expenses paid to hospitals for hospital stays, including emergency room visits
4. Unreimbursed medical transportation costs, including: ambulance, and 16.5 cents per mile for using your car for medical visits
5. Prescription drugs and medicines
6. Medical equipment
7. Other medical costs



Let's look at a little more detail on a few of the above items: With respect to medically necessary procedures by physicians and dentists, those expenditures are deductible. However, cosmetic procedures that are not designed to ameliorate deformities (from congenital birth defects or other injuries or diseases) are not deductible.

What is included in medical transportation costs? Payments for an ambulance or similar transportation services are deductible. Likewise, costs for driving you or a loved one to the emergency room or a doctor's visit are deductible. But what about out-of-town transportation? The general answer is that any transportation costs incurred for medical purposes are deductible. Thus, the cost of traveling to another town, whether by air or car, to see a specialist is deductible. Not only the travel cost, but lodging in connection with treatment at a hospital or other qualified medical facility is deductible, though lodging costs are limited to \$50 per day per person. Meals are not deductible.

Medical travel can also include travel to foreign countries and other tourist areas as long as the travel is essential to and primarily for medical care and not for a significant element of personal enjoyment.

This discussion is not intended to be a complete list of medical deductions because those items that qualify as such could go on for pages.

The above information is meant to help prod your thinking about the possibilities. Give us a call if you have some questions and let's discuss what deductions you may be entitled to.

## Firm News

Shareholders **Ken Kasbohm, CPA** and **Mark Potts, CPA** have added Personal Financial Services (PFS) to their credentials. Both recently received this accreditation and are part of WKMR Financial Services, LLC. Congratulations Ken and Mark.



**Ken Kasbohm**



**Mark Potts**

**Matthew Los, CPA** recently took first place in a statewide Toastmasters speech contest. Matthew won the chapter, local and regional competitions before taking first at the state level. Congratulations Matthew!

**Amanda McNutt, CPA** and **Matthew Los, CPA** presented to the UW-Whitewater Beta Alpha Phi chapter. The two discussed interviewing techniques with the group. They also had the group participate in a team building activity.

WKMR would like to welcome **Shenena Taylor**, the new receptionist in our Brookfield Office. Shenena will be stepping in for current receptionist **Rhonda Dick** when she leaves us to have her baby.

WKMR recently participated in the **American Heart Association's National Wear Red Day** in February. Employees raised money in the fight against heart disease.



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The goal of UPDATE is to provide our clients with timely financial and tax information. Since space limitations require generalizations, Winter, Kloman, Moter & Repp, S.C. encourages you to obtain specific personal advice before implementing any ideas presented in this publication.

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