

QUALIFIED CONSERVATION CONTRIBUTIONS

By Dennis Veeh, CPA

The rules for deducting charitable contributions have been modified by the Pension Protection Act of 2006 to encourage taxpayers to make donations of capital gain real property to qualified charities for conservation purposes. In addition to these new rules, which generally apply to individual taxpayers, other provisions seek to encourage both corporate and individual farmers and ranchers to make charitable donations of real property for conservation purposes. These modifications generally apply to contributions made after December 31, 2005 and before January 1, 2008.

Before these changes were enacted, there were greater restrictive provisions on the amount of charitable deductions allowed in a tax year, generally based upon the taxpayer's adjusted gross income. Cash contributions to qualified charities generally are limited to 50% of the taxpayer's adjusted gross income. Additionally, appreciated real property contributed to a qualified charity is generally limited to a deduction of 30% of the taxpayer's adjusted gross income. Any amounts that exceed these limitations are generally allowed to be carried over five years.

The new rules passed by Congress significantly reduce the restrictions on the amount a taxpayer can deduct for contributions of appreciated capital gain property for conservation purposes. For non-farmers, the limitation based upon adjusted gross income has been raised from 30% to 50%. Additionally, any amount not allowed to be used because of the new 50% limitation is allowed a 15-year carryover, versus the previous five-year carryover. Remember, these provisions are for contributions made after December 31, 2005 and before January 1, 2008.

The best news applies to individual farmers and ranchers. The new limitations allow farm-

ers to deduct up to 100% of their adjusted gross income for contributions of appreciated capital gain property for conservation purposes, rather than the previous 30% limit. Any amount in excess of such limits is also allowed to be carried over 15 years.

In order to qualify for the 100% limitation, the qualified real property interest must include a restriction that the property remain generally available for agriculture or livestock production. The Joint Committee on Taxation clarifies that there is no requirement that the property be used in agriculture or livestock production, only that the property remain available for such purpose.

The new limitations allow farmers to deduct up to 100% of their adjusted gross income for contributions of appreciated capital gain property for conservation purposes, rather than the previous 30% limit.

A qualified farmer is defined as an individual whose gross income from the trade or business of farming is greater than 50% of the taxpayer's gross income for the year. The term "farming" includes cultivation of the soil, raising agricultural or horticultural commodities and preparing those commodities for the market, as well as the planting, cultivating, caring for, cutting down and preparing trees for market.

Qualified conservation contributions may consist of all of the farmer's interest in the property, except for mineral interests, or it may be limited to an easement or restrictive covenant that prevents the development of land, safeguarding its natural character.

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Qualified organizations receiving real property interests generally are limited to governments and publicly supported charities.

Qualified Conservation Contributions – continued

Qualified organizations receiving real property interests generally are limited to governments and publicly supported charities. Private foundations and organizations do not qualify.

The amount of the deduction allowed for the contribution of a conservation easement or other restriction is the fair market value of the interest conveyed to the qualifying organization. The interest can be valued by determining the fair market value of the property before and after the grant of an easement.

Remember, these new provisions are effective for contributions made after December 31, 2005 and before January 1, 2008. Please contact our office if you are interested in determining whether a transaction qualifies for these enhanced benefits.

FOOD FOR THOUGHT

Finding the “Perfect” Accounting Software

By Nancy Ervin, AVA

Let’s get two things straight. First, accounting is not perfect. What?! Doesn’t 2+2 always equal 4? Well, yes, but in accounting, sometimes one of the twos is “cash” and one is “accrual,” in which case, they may not equal anything but a mess. Second, no accounting software (that I know of) is perfect.

So how does one go about finding the “perfect” accounting software? The answer is obvious. You don’t. What you can do, however, is find one that meets most of your accounting and reporting needs. **The key is deciding what are truly “needs” and what are really just “wants.”**

For instance, I worked with a client who wanted to evaluate software to help him better track his custom farming operations. When we first developed our “wish list” for the new

accounting system, we came up with 45 items! Knowing it was going to be impossible to find software that met all 45 criteria, we decided to break things down a little more.

First, we identified his primary goals. For instance, he needed to be able to determine if equipment purchases were a good investment. Then, we looked at our wish list and identified those items we had to have in order to achieve our goals. For example, we needed to be able to capture costs and revenues for each individual piece of equipment. We also needed to be able to charge out equipment usage and other cultural practices to a ranch or division on either a per hour or per acre basis. We remained flexible as to how this occurred in the software itself, but not in the final outcome.

After we narrowed down our “Must Haves”, we identified our “Would Very Much Like to Haves,” such as being able to reconcile payroll or other activities prior to printing checks. Finally, we listed our “Nice but Not Deal Breakers,” such as default general ledger codes for vendors that warn you if you are coding an entry to the wrong GL.

Once you have your list identified, it is much easier to compare available software to each of the attributes. If you like to quantify decisions, you could score each software on a scale of

Spending the extra time identifying key attributes before you evaluate software will help you remain focused on what you really need.

1 to 5 for how well it satisfies each attribute. Give it a “one” if it satisfies the need, but not very well. Give it a “five” if it delivers without a glitch. Add up your scores and discount the totals for everything not on the “Must Have” list. The software with the highest total wins!

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Ag Business Award

2007

The Baker, Peterson & Franklin Ag Business Award honors an organization whose achievements and impact have significantly contributed to the ag industry and the community.

Criteria

- Any for-profit agribusiness or farming entity based in the central San Joaquin Valley is eligible.
- Prior Baker, Peterson & Franklin Ag Business Award winners are not eligible.
- Self-nominations are encouraged.
- The award is bestowed annually at the Ag Awards Luncheon with the Greater Fresno Area Chamber of Commerce and Center for Agricultural Business at California State University, Fresno.
- Award recipient is selected by a committee of representatives from the BP&F Ag Department and local agribusiness community.
- Nominations submitted each year are considered in all following years.

Complete the form on the reverse side and mail or fax by August 15, 2007. For further information, please call:

Baker, Peterson, & Franklin, CPA, LLP

Julie Maldonado

Ag Business Award Selection Committee

970 W. Alluvial, Suite 101

Fresno, CA 93711

Phone: (559) 432-2346 • FAX: (559) 432-5831

mail@bpfcpa.com



**BAKER, PETERSON &
FRANKLIN, CPA, LLP**

CONSULTING & FINANCIAL
SERVICES

B&F
Ag Business
Award
2007

Application

Name of organization: _____

Mailing address: _____

City: _____ Zip: _____ County: _____

Street address (if different from above): _____

City: _____ Zip: _____ County: _____

Phone: _____ Fax: _____

Chief Executive: _____ Title: _____

Contact person: _____ Title: _____

Contact person email: _____ Year established: _____

Brief description of the company and its products or services: _____

You may use one sheet of paper to answer the following questions; attach the sheet to this application.
(Please be specific, list accomplishments, etc.)

1. Describe the organization's growth and success.
2. What are the contributions of the organization to the agricultural industry and our community?

Nominated by: (Optional)

Name: _____ Title: _____

Email address: _____

Name of organization: _____

Address: _____

City: _____ Zip: _____

Phone: _____ Fax: _____

Only the application form and your one-page response to the above questions will be judged.
Deadline August 15, 2007.

UNCLAIMED PROPERTY: IT'S NOT YOUR MONEY

By Claudia Ruiz, CPA and Susan Woods, CPA

Imagine this...you're reconciling your bank account and realize that there are many checks outstanding that are more than one year old. Some of these are for employees who worked for you seasonally, some are vendors who didn't cash the checks, and some might be customer overpayment checks that you wrote but never mailed. You are tempted to void the checks. Should you? The answer is no.

In 1959, California passed its first unclaimed property law to safeguard private property from being lost or used by private interests for private gain—either through unwillingness to find the owners or through confiscation. This affects you, because those outstanding checks represent monies you hold and possibly use for private gain. After all, it's not your money. As a business owner, you have a responsibility to either turn the funds over to the rightful owner, or turn the funds over to the State of California, whose responsibility it is to locate the rightful owner.

Unclaimed property includes (but is not limited to):

- Uncashed checks over \$50 that are outstanding for more than one year
- Customer overpayments
- Vendor credit memos
- Gift certificates or gift cards
- Merchandise credits

So what should you do? The law requires you to make an attempt to notify the rightful owner by U.S. mail at their last known address. If you are unable to locate the rightful owner, then you should submit an annual report to the California State Controller, and remit the unclaimed funds with the form. Failure to file the annual report and remit the funds could subject you to penalties.

Once the State of California has the funds, the responsibility of tracking down the rightful owner shifts to the State. Unfortunately, the original bill establishing the unclaimed property law also included a budgetary limit of \$50,000 per year to be used to notify the public of unclaimed property. Due to the annual budget restriction, the State Controller's office admits that they are unable to notify more than 80 percent of unclaimed property owners. As you can imagine, this has led to an unexpected windfall for the State. Current estimates indicate that the state expects to net almost \$400 million annually from the sale of unclaimed property. These funds go into the State General Fund monthly.

On June 1, 2007, a federal court in Sacramento directed the State Controller's Office to not accept unclaimed property until new laws are passed which allow the office to adequately notify owners of unclaimed property. The State Controller's Office promptly sponsored a bill (SB 919 by Sen. Mike Machado, D-Linden) which would lift the budget restriction and create a program to locate property owners. Once passed, the requirement to transfer unclaimed property to the State will be reinstated. Additionally, the new law will include stricter rules and penalties of \$200 per day up to \$10,000, or more for those who willfully refuse to report or pay out unclaimed property to the State.

In the meantime, what should you do? We recommend that you follow up on outstanding checks and credit memos after six months. Make every effort to pay out funds owed, and document those efforts in writing. For employees, request secondary contact information with written permission to send any unclaimed checks after six months to that

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STAFF NEWS

Kiersten Alvarado has joined the firm as a Senior I accountant in the Accounting & Assurance department. She graduated from California State University, Fresno with a degree in business administration, emphasis in accounting. She previously worked for a litigation consulting and forensic accounting firm and most recently for a local accounting firm. Kiersten grew up in Orosi where her family farmed and packed stone fruit.



Chris Christensen has joined our Information Technology Department as the Assistant Network Administrator. Chris brings five years of experience in network administration to the firm. Prior to joining BP&F, Chris was an IT Manager for a local communications company. He graduated from the Cisco Networking Academy and is a certified Network Systems Engineer. He is currently pursuing the Cisco Certified Networking Associate designation.



Tim Hancock has joined the firm as a staff accountant. Tim worked as an intern at BP&F before he graduated from California State University, Fresno with a degree in business administration, emphasis in accounting. He was a member of the Fresno State ice hockey team. Tim plans on sitting for the CPA exam within the next year.



Susan Hornor has joined BP&F as a full-time staff accountant. Susan was a firm intern before she graduated from California State University, Fresno with a degree in business administration, emphasis in accounting. Susan grew up in Fresno and resides with her husband and baby in Clovis. She plans on sitting for the CPA exam before the end of this year.



BP&F congratulates Nikolya Serdyuk and John Waymire, both of whom obtained their Certified Public Accountant licenses from the State of California recently.

PARTNER ANNOUNCEMENTS

Baker, Peterson & Franklin is pleased to announce the addition of two new partners.

Brandon E. Vance, CPA, CFE, became a partner of the firm on January 1, 2007. He will continue his emphasis with the firm's accounting and auditing practice, particularly in the agricultural, manufacturing and dealership industries. He is co-chair of the firm's Consulting & Litigation Services Department, and is also in charge of the firm's fraud prevention and investigation services. Mr. Vance graduated from California State University, Fresno in 1993 with a Bachelor of Science degree in Business Administration, emphasis in accounting, and joined the firm later that year. He received his CPA certificate in 1996 and his Certified Fraud Examiner (CFE) designation in 2003. Brandon and his wife, Stephanie, have two children, Kaitlyn and Ryan. He enjoys playing softball and golf.



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Nancy S. Ervin, MBA, AVA, will become a partner effective July 1, 2007. She will continue to provide consulting and valuation services, particularly in the areas of agriculture and family owned businesses. She is an Accredited Valuation Analyst (AVA) and is co-chair of the Consulting and Litigation Services department. She is also a member of the firm's Agriculture Department, having worked in the livestock and dairy industries prior to joining the firm in 1999. Ms. Ervin graduated summa cum laude from California State University, Stanislaus in 1988 with a Bachelor of Science degree in business administration, emphasis in marketing. She earned her Masters in Business Administration from the University of San Diego in 1999 and was awarded the AVA designation in 2005. Nancy, her husband Dennis, and their two dogs reside in the foothills near Coarsegold.



address. If you still have unclaimed funds, comply with state reporting requirements and remit unclaimed funds to the State Controller's Office.

We're here to help. If you have questions, give us a call.

BP&F AG BUSINESS AWARD CALL FOR NOMINATIONS

We are pleased to announce our twelfth annual BP&F Ag Business Award. Any for-profit service or product-related agribusiness or farming entity headquartered in the San Joaquin Valley is eligible. The criteria are the organization's growth and success, and its contributions to the agricultural industry and our community. We encourage you to nominate your organization or other ag businesses you feel are worthy. Deadline for submission is August 15, 2007. An application is enclosed in this issue.

Both the BP&F Ag Business Award and the Fresno Chamber of Commerce Agriculturist of the Year recipients will be honored at an Ag Awards Luncheon on November 9 at the Exhibit Hall in downtown Fresno.

Food for Thought – continued

Spending the extra time identifying key attributes before you evaluate software will help you remain focused on what you really need, and reduce the chance of being influenced by bells and whistles that may not have any application to your operation.

Finally, it is not a bad idea to include your current software on the score card. It may not be perfect, but it could surprise you and be the best choice after all.

If you are considering purchasing new accounting software and need help with the process, give us a call. We would be happy to help.

BP&F
Ag Business
Award

2007

CALENDAR

- June 29** Ag One Community Salute honoring Fred R. Ruiz. Fresno Convention Center, Exhibit Hall. Social hour 6:00 pm, program 7:00 pm. For more information contact Ag One at 559-278-4266.
- July 4** Independence Day. BP&F office closed.
- September 9** 30th annual Ag Boosters BBQ, Rancho Vista Del Rio, Madera. For information contact Ag One at 559-278-4266.
- November 9** Ag Awards Luncheon honoring BP&F Ag Business Award and the Fresno Chamber of Commerce Agriculturist of the Year recipients. For information contact BP&F at 559-432-2346.

Agriculture Department Staff:

Dennis M. Veeh, Partner
Karen E. Morais, Partner
Toni M. Porter, Partner
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