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# BY THE BOOK

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A Publication of Baker, Peterson & Franklin, CPA, LLP

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## A Data Security Plan...Do You Have One ?

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Identity theft continues to be one of the fastest growing crimes in America. A company's records of personal data on customers, employees, their dependents, and others are a target for data thieves. Data thieves will present themselves as employees, bribe insiders of a company and even go through company trash bins to obtain information. The Federal Trade Commission recommends following five principles of data security.

1. **Take Stock.** Know what personal information is in your company files and on your computer. Check security of file cabinets, computer hard drives, network drives, e-mails, flash drives, disks, laptops, tapes, etc. Take an inventory of all possible sources of data and track how data moves through your company.
2. **Scale Down.** If there is NO *business* need for personal information—don't ask for it. Develop a written records retention policy that covers what is to be kept, for how long, and how to dispose of it properly. (See the attached suggested retention schedule.) Until an employee is hired, do not ask for a Social Security number.
3. **Lock It.** Protect stored information. The type of data determines the best storage method.
  - A. **Physical Security:** Lock doors and cabinets, implement clean desk rules, monitor offsite storage, and track package shipments.
  - B. **Electronic Security:** Improve network security, require and manage strong passwords, discourage password sharing, and require passwords be changed regularly. Limit laptop use to only those who need them for their job. Prohibit storing data on the laptop, and provide locks to secure.
  - C. **Employee Training:** The best defense is a well-trained workforce. Train employees in the security for their job, how to recognize potential threats, and what to do. Do background checks on applicants who will have access to sensitive data and make sure they understand your confidentiality and security rules.
  - D. **Service-provider security:** Before using outside services, check out the vendor's security procedures.
4. **Pitch It.** Be as methodical about disposal as you are about storage. Do whatever it takes to make sure that disposed personally identifiable information cannot be read or reconstructed. Payroll and HR require additional procedures to ensure that dis-

*Data thieves will present themselves as employees, bribe insiders of a company and even go through company trash bins to obtain information.*

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posed of data cannot be reconstructed. Require software that overwrites data on all computer and portable storage devices.

5. **Plan Ahead.** Have a response plan for breaches. Be prepared. Include in the plan notification of law enforcement, customers, consumers, employees, credit bureaus, and others who may be affected by a breach. There are federal regulatory agency, state and financial institution rules and regulations covering company responsibility for security breaches.

For FTC details on data security campaigns, visit the FTC website at [www.ftc.gov/infosecurity](http://www.ftc.gov/infosecurity). This website offers detailed instructions for following the five principles of data security.

Source: *The General Ledger*, a publication of The American Institute of Professional Bookkeepers, Lorelei M Krucki, CPP, Instructor, St Petersburg College, St Petersburg, FL; Member, AIPB Board of Advisors.

## W-4 Midyear Review



Many employees never think to check their W-4s during the middle of the year. A mid-year review is helpful as most employees have filed the previous year's tax return and now know how close their income withholding was to their final tax bill.

In addition employee personal situations can change at any time. These changes should always be considered when reevaluating if a change needs to be made to a W-4.

Examples include:

- Marriage or divorce
- Birth or adoption of child
- Purchase of a new home
- Spouse starting or leaving employment
- Unexpected medical expenses
- Increase in outside income (lottery/gambling, side business, rental income, sale of asset)

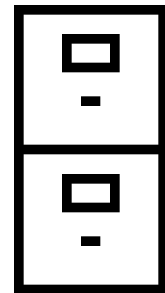
IRS regulations require that employees provide employers with a new W-4 form within 10 days of any change that decreases the number of withholding allowance an employee can claim.

# Suggested Retention Schedule for Business Records

A business handles a tremendous volume of records. Whether you use a simple filing system or sophisticated electronic equipment to record your data, the basic problems remain—what records do you need, why do you need them, and how long should you keep them?

The following checklist is designed to help you determine what records to keep and how long to keep them. These time periods represent a consensus and are not absolutes to be followed without question.

<p style="text-align: center;"><b>4 to 5 years</b></p> <p>Bills of material Bond, paid-interest coupons Cash slips Claims, closed by company Correspondence, general Customer account records, closed Delivery receipts Freight bills Inspection records Manifests Petty cash records Purchase orders Receiving reports Remittance statements Requisitions Sales slips Service reports Shipping tickets Time cards</p> <p style="text-align: center;"><b>5 to 6 years</b></p> <p>Complaint records Correspondence: license, purchase and traffic Credit memos Employees' daily time reports Monthly trial balance Price exceptions and adjustments Safety reports</p> <p style="text-align: center;"><b>6 to 7 years</b></p> <p>Bank deposit slips Bank statements Bonds, cancelled Cancelled checks Claims, closed against company Credit files Employee records (terminated) Inventory records Invoices, copy of order Invoices, paid Payroll</p> <p style="text-align: center;"><b>7 to 8 years</b></p> <p>Accounts, charged off Commission statements Cost account records Entertainment records Expense reports, employees' Purchase orders for capital expenditures</p>	<p style="text-align: center;"><b>7 to 8 years, continued</b></p> <p>Sales sheets Specification sheets</p> <p style="text-align: center;"><b>8 to 9 years</b></p> <p>Agreements, leases (after expiration) Salary and rate changes Vouchers, cash Vouchers, numeric copy</p> <p style="text-align: center;"><b>9 to 10 years</b></p> <p>Voucher, A-Z copy Voucher register</p> <p style="text-align: center;"><b>10 years</b></p> <p>Claims, workers' compensation Employee tax withholding statements Insurance claims (after settlement) Vouchers, capital</p> <p style="text-align: center;"><b>17 years</b></p> <p>Agreements, licenses</p> <p style="text-align: center;"><b>Permanent</b></p> <p>Accident reports Agreements, deeds Applications filed with regulatory agencies Contracts and leases Corporate stock records Engineering &amp; research projects Financial statements Insurance policies, all types Labor contract and collective bargaining records Ledgers and journals: cash, general, customer journal, payroll, plant, etc. Minutes: executive, directors and stockholders Patents, records and assignments Pension records Plant surveys Proxies Real estate records Taxes: federal, state, property, sales and use Taxes: audit reports Tax and legal correspondence</p> <p style="text-align: center;"><b>Other</b></p> <p>Certificates of insurance – Period of coverage, plus 4 years Depreciation schedules – Life of asset, plus 4 years Insurance claims – 3 to 5 years after settlement</p>
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## Complying with Federal Employment Tax Recordkeeping Requirements

The IRS is reminding employers about the importance of keeping good records. The IRS notes that employment tax records must be maintained for at least four years after the later of the due date of the tax return to which the records relate, or the date the tax is paid [see Reg. § 31.6001-1(e)(2)]. The records should include the following information:

- employer identification number (EIN)
- amounts and dates of all wage, annuity, and pension payments
- amounts of tips reported
- the fair market value of in-kind wages paid
- names, addresses, Social Security numbers, and occupations of employees and recipients
- employee copies of forms W-2 that were returned as undeliverable
- dates of employment
- periods for which employees and recipients were paid while absent due to sickness or injury, and the amount and weekly rate of payments made to them by the employer or third-party payers
- copies of employees' and recipients' income tax withholding allowance certificates (forms W-4, W-4p, W-4s, and W-4v)
- dates and amounts of tax deposits
- copies of returns filed
- documentation for allocated tips
- documentation for fringe benefits provided, including substantiation

*A willful failure to keep required records is a misdemeanor punishable by a fine of up to \$25,000 (\$100,000 for corporations) and/or imprisonment for up to one year.*

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RIA Research References: For further information on recordkeeping requirements, see RIA Payroll Guide ¶ 4280. Source: RIA Payroll Guide Newsletter, 08/03/07, Volume 66, No. 16.

## California Enterprise Zone

*Over 240 city of Fresno businesses picked up an estimated \$72 million in EZ hiring tax credits alone in 2007.*

To assist troubled economic areas, California has updated its Enterprise Zone (EZ) program which gives additional tax credits and deductions to businesses whose principle business, or any division of its business, is located within designated EZ areas. Over 240 city of Fresno businesses picked up an estimated \$72 million in EZ hiring tax credits alone in 2007.

If you have any questions about the enterprise zone and whether or not your business falls in the zone, please call Bill Fink or Linda Chin at Baker, Peterson & Franklin at (559) 432-2346.

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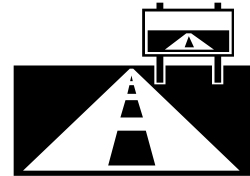
## IRS Increases Mileage Rate

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The IRS has announced a mid-year increase in the standard mileage rate for business car travel. The optional mileage allowance for owned or leased autos will increase 8 cents, from 50.5 cents to 58.5 cents per mile, for business travel from July 1, 2008 to December 31, 2008.

- The mileage rate increase is optional. If your company has been reimbursing employees using the 50.5 cent rate, it can increase the reimbursement by as much as eight cents for the last six months of the year or it can stick with the 50.5 cent rate. If your company continues with the 50.5 reimbursement, employees may be able to deduct any difference as an itemized deduction on their tax return.
- The use of the standard mileage rate system is optional. You can reimburse employees for their actual costs for business driving instead of using the mileage rate. If using the actual cost method, the increase in the mileage rate has no affect on your policy.
- The increased mileage rate applies only to mileage reimbursements with respect to car use on or after July 1, 2008. The 50.5 cent rate continues to apply to reimbursements in July or later for mileage that was accumulated in June or earlier.

The rate for using a car to obtain medical care or in connection with a move that qualifies for the moving expense will increase from 19 cents to 27 cents per mile.



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## Bookkeeping Services

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Please remember our full service bookkeeping department customizes services to fit your individual needs. We provide complete accounting and bookkeeping services on a monthly, quarterly, or annual basis.

Some of the many services we provide are as follows:

- Property Tax Reporting
- Report of Independent Contractors
- Sales Tax Returns
- Employee Benefit Audits
- Quarterly and Annual Payroll Tax Returns
- 1099 Reporting
- Worker Comp Audits

Looking to update your computer software system? We can also come to your office to set up proper systems and procedures, offer training to your staff, or complete requested services at your location.

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## Staff News

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Carol Fenzke joined the firm in July 2006. She works in the bookkeeping department as a full time bookkeeper. She comes to us with an extensive background in bookkeeping and accounting. Her work experience includes over 25 years of work with CPA firms in Monterey County working in the bookkeeping departments as well as staff accounting. She also was the owner of a gift shop in the Salinas area for six years. Carol has experience with MAS90, Business Works, QuickBooks, Excel, Famous and other accounting software. Carol provides all types of bookkeeping services for our clients ranging from payroll and accounts payable to financial statements. Carol enjoys the variety of client services and comments, "I enjoy being a part of BP&F, working with the clients and being a member of a wonderful organization."

Carol and her husband Jay moved to the Fresno area in 2006 from Salinas. She has four children who are attending college in the Southern California area.

You may contact Carol at 432-2346 or [carolfenzke@bpfcpa.com](mailto:carolfenzke@bpfcpa.com).



Andy Adams joined the firm in October 2007, and is a full-time bookkeeper serving our clients. Prior to joining Baker, Peterson and Franklin, Andy worked as a corporate bookkeeper for over 7 years for a local property management company. Andy performs the bookkeeping function for a variety of clients—farming, real estate, construction, legal, wholesale and service professions. Andy's work includes payroll, accounts payable, accounts receivable, general ledger, financial statements, preparing monthly reports, bank reconciliations, sales tax returns, quarterly returns, year-end payroll taxes, and property taxes. Andy also works on the California Enterprise Zone credits with our tax department.

Andy is a Central Valley native, born and raised in Hanford, and has lived in Fresno for over ten years. Andy earned his AA degree from West Hills College and a bachelor's degree in Finance from Fresno State. His future goal is to obtain an Accounting degree and become a CPA.

You may contact Andy at 432-2346 or [andyadams@bpfcpa.com](mailto:andyadams@bpfcpa.com).



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BAKER, PETERSON &  
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CONSULTING & FINANCIAL  
SERVICES

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# California Sales Tax News

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## Rate Changes

Voters in the cities listed below approved new transactions and use taxes that apply within the city limits. These new tax rates took effect on July 1, 2008.

City	County	District Tax Rate Increase	Total Tax Rate for City
El Cerrito	Contra Costa	.50%	8.75%
Reedley	Fresno	.50%	8.475%
Sanger	Fresno	.75%	8.725%
Seaside	Monterey	1.00%	8.25%

Tax rates in areas outside these cities will remain the same.

## E-Filing

The California State Board of Equalization has announced that it will begin transitioning existing sales and use taxpayers to electronic filing and eliminate the use of paper tax returns for most taxpayers. The goal of going paperless is to create efficiency and generate cost savings. It will also provide taxpayers an easy, quick and accurate method to file a return.

Currently more than 90,000 taxpayers are being notified that they will no longer be receiving paper returns from the State Board of Equalization but will be expected to file online. The first group of taxpayers to be notified will include single location quarterly prepayment accounts of medium to large size businesses that file prepayments 12 times per year. This group will be expected to e-file rather than use a paper return for the 3<sup>rd</sup> quarter of 2008 returns due by October 31, 2008. Over the next two years, the majority of taxpayers will transition. Taxpayers will be notified well in advance of their effective date of transition for their account.

To find out more information and how to E file your return visit [www.boe.ca.gov](http://www.boe.ca.gov).



# Legal Holidays for 2008

To ensure the timeliness of your 2008 tax payments and reports, please refer to the chart below. If a payment or report due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day. For specific payroll tax deposit or report requirements, refer to the *Employer's Tax Guide* (Circular E), the *California Employer's Guide* (DDE 44) and the *EFT Information Guide* (DE 27). To obtain a federal guide visit the [www.irs.gov](http://www.irs.gov) website. To obtain a state guide or for more information, call 1-888-745-3886 or visit the website: [www.edd.ca.gov/taxrep/taxform.htm#publications](http://www.edd.ca.gov/taxrep/taxform.htm#publications).

Legal Holiday	Day Holiday Observed
Labor Day .....	Monday, September 1
California Admission Day .....	Tuesday, September 9*
Columbus Day .....	Monday, October 13
Veterans Day .....	Tuesday, November 11
Thanksgiving Day and day after .....	Thursday & Friday, November 27 & 28
Christmas Day .....	Thursday, December 25
New Year's Day 2009 .....	Thursday, January 1, 2009

\*EDD offices are open on this legal holiday

**Bookkeeping Department Staff:**

Jayne Massie, Supervisor  
 Andy Adams  
 Carol Fenzke  
 Eliseo Perales

**Published by:**

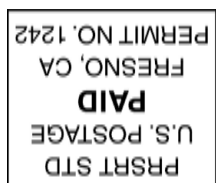
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