



# The Update

VOLUME 15 NUMBER 3

WINTER 2006

Sannerud, Savarese & Associates, P.A. – “Certified Public Accountants”  
1207 Constance Blvd. N.E. • Ham Lake, MN 55304 • (763) 434-5929 FAX (763) 434-8833



## FROM SUE'S DESK A PACKED HOUSE ON THE 14TH

A heartfelt THANK YOU for the well wishes and congratulations the night of our Open House. The staff enjoyed having the office turn into a green house with the deliveries of plants and flowers throughout the day. The months of planning and anticipation for the new building were well worth the wait and we are now into a steady routine just in time for tax season.

The office was moved on September 30 and we actually began operating out of our new office October 3rd. Students from the Andover Theater Department came in September 24 and moved all of the file cabinets up the stairs from our old location and into the vault of our new office. The staff spent the last day of September moving their offices and office supplies and organizing our new space. It was a team effort and everyone pitched in.

We have already enjoyed many meetings in our spacious conference rooms and “spreading out” in the break room/ kitchen. We look forward to the privacy we will be able to offer our clients this tax season in our individual offices. Thank you again for your thoughtful words of support.

### THE WINNERS!

The following people were winners of door prizes at our Open House:

Donor	Prize
Dehn's Gardens	Herb Gift pack & cookbook (2)
Red Ox Café	Gift Certificate
Community Pride Bank	\$50 Savings Bond
	Golf Shirt gift Pack (2)
Suburban Lawn Care & Sannerud, Savarese & Associates	John Deere Gift Set and t-shirt
Hooze 4 x 4	Gift Certificate
Liquors Plus	t-shirts, t-shirts, t-shirts!
Sannerud, Savarese & Associates	Crock Pot
	Bird Feeder
	Greeting Card Basket
	Gift certificate for Hooze 4 x 4
	Winter Warmer Basket
	PTL Tire Gift Certificate
Grand prize:	\$500 Target Gift Card

### CONFUSED ABOUT MEDICARE PART D?

Everyone says that Medicare Plan D is confusing, complicated, complex and BAFFLING! Part D is adding prescription coverage but there are many choices. Some say there are too many choices.

Sannerud, Savarese & Associates, P.A. has arranged to have Scott Fleming from Minnesota Financial Alliance come in January to help you work through the maze of plans and make good informed decisions.

A seminar on Medicare Part D will be offered on Tuesday, January 10 at 10 a.m. and again on Thursday, January 12 at 10 a.m. in our conference room.

If you are interested in attending one of these seminars, call our office (763-434-5929) to reserve a space on the day most convenient for you. There is no charge.

### WORKPLACE POSTERS

Employers are required to display state-mandated posters in a location where employees can easily see them. You can obtain the mandatory posters by:

1. Calling 651-284-5042 to place an order
2. E-mail a request to [DLI.Post@state.mn.us](mailto:DLI.Post@state.mn.us)
3. On line at <http://www.doli.state.mn.us>
4. Send a request by mail to: IPC Poster Requests, Minnesota Department of Labor and Industry, 443 Lafayette Rd. N., St. Paul, MN 55155-4307

Winner  
Lorraine Nyholm & Del Schnaidt  
Mary Ann Slyzuk  
Janelle Kirkeide  
Kay Cooper & Mary Sachs  
Mary Kohler

Millie Healy  
Jenny Eisenger, Andrew Zeran, Kathryn Kloster,  
Arnie Sachs, Terry Micknowski, Grant Schmitt,  
Jan Chapman, Karen Osborne, & Tony Sparks  
Loretta Osborne  
Melanie Wynn  
Orv Olson  
Phil Pentz  
Karen Rajtar  
Jim Roste  
Mary Ann Osborne

## AUTOMOBILE DEDUCTIONS

Automobile expenses may be deducted using either the standard mileage rate or by using the actual expenses of owning and operating the automobile. Which method provides the best deduction depends on how many miles are driven per year, the age of the vehicle when placed in service, the gas mileage the vehicle gets, etc.

### STANDARD MILEAGE RATES

	2004	1-1-05 through 8-31-05	9-1-05 through 12-31-05
Business	37.5	40.5	48.5
Charitable	14	14	14
Medical and Moving	14	15	22

## PAYROLL TAXES

Do you need to make some changes to your payroll system? The New Year is a good time to make those changes. If you have any questions, or if you would like a quote from Sannerud, Savarese & Assoc., P.A. about our payroll services, just call our office at 763-434-5929.

Sannerud, Savarese & Assoc., P.A. offers a complete payroll service. We process the checks and electronically process payments of payroll taxes. We will prepare all quarterly and annual payroll reports and the W-2's. Cutting payroll checks for your employees is perhaps the simplest part of having a payroll. Understanding and complying with all the rules governing payroll tax deposits and filings is much more time-consuming. Just keeping track of all the paperwork is a difficult task. We can help you.

## ENERGY INCENTIVES

President Bush signed an energy bill in 2005 designed to address four major areas: domestic energy production, energy conservation, energy infrastructures, and alternative energy. This bill will provide energy incentives to not only business owners and manufacturers of energy-efficient consumer goods but also to consumers who purchase or install energy-efficient products for their homes.

This bill creates a new personal home improvement tax credit for individuals for the purchase of certain energy-efficient property. The credit will be available for property placed in service after December 31, 2005 and before January 1, 2008. Improvements covered will be products such as advanced thermostats; insulation; exterior doors and windows; electric heat pump water heaters; central air conditioners; natural gas, propane or oil water heaters or furnaces; hot water boilers; advanced main air circulating fans.

The energy-efficient property must be expected to remain in use for at least five years. The credit is not available for vacation homes or residential rental property.

## RETIREMENT CONTRIBUTION LIMITS FOR 2005 & 2006

Be sure you are aware of the following limits for your retirement programs!

Description	Limit in 2005	Limit in 2006
IRA/Roth	\$4,000	\$4,000
Catch-up	\$500	\$1000
SIMPLE	\$10,000	\$10,000
Catch-up	\$2,000	\$2,500
401(k), 403(b), 457	\$14,000	\$15,000
Catch-up	\$4,000	\$5,000

## CAN YOU RECOGNIZE THESE HOLIDAY TUNES?

(Answers below – if you need them)

1. Homo sapien of crystallized vapor.
2. Aloft on the acme of the abode.
3. A dozen 24-hour Yule periods.
4. Minuscule hamlet in the Middle East.
5. Yonder in the haystack.
6. Adorn the vestibules.
7. Monarchial trio
8. Hallowed post meridian

(Answers: 1. Frosty the Snowman; 2. Up on the Rooftop; 3. The Twelve Days of Christmas; 4. O Little Town of Bethlehem; 5. Away in a Manger; 6. Deck the Halls; 7. We Three Kings; 8. O Holy Night.)

## TAX SEASON OFFICE HOURS

Tax season hours will begin January 30, 2006 and will continue through April 15, 2006.

Monday, Tuesday, Thursday	8:00 a.m. to 8:00 p.m.
Wednesday and Friday	8:00 a.m. to 4:30 p.m.
Saturday	8:00 a.m. to 12:00 noon

E-mail: [staff@sannerudsavarese.com](mailto:staff@sannerudsavarese.com)

Web site: <http://www.sannerudsavarese.com>





## THE CHRISTMAS FLOWER POINSETTIA

Over 150 years ago, the first United States Ambassador to Mexico, Joel Roberts Poinsett, imported the plant that now bears his name. After supplying his own greenhouses in South Carolina, he, an able

botanist, distributed plants to his friends and to botanical gardens throughout the east.

Tradition tells us that a young child in Mexico wept because she had no flowers to place at the manger in her church. An angel appeared and directed her to pick a roadside weed and place it at the altar. The child obeyed and saw it transformed into a tall, beautiful plant bearing the beautiful scarlet leaves – the poinsettia. She called it the Christmas Eve flower.

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## WELCOME HAM LAKE CHAMBER

We are very excited to welcome the Ham Lake Chamber of Commerce to our office building. They will be renting one of our spare offices beginning December 1. Sandi Naughton and the Chamber staff have their own phone line so their number has remained the same (434-3011). They will hold variable part-time office hours.

We hope they enjoy their new office space.

Welcome new neighbors!

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## HOW MUCH CAN I EARN IF I AM DRAWING SOCIAL SECURITY?

If you are between the ages of 62 and full retirement age and drawing social security, you can earn \$12,000 in 2005 and \$12,480 in 2006 before you have to pay any of the social security back.

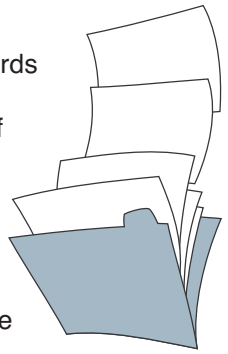
This does not include pensions, interest, dividends, etc. Only W-2 wages and self-employment income affect the Social Security annual earnings limit.

Up to 85% of your social security may be taxable. Your total income including pensions, interest, dividends, etc. determine how much of your social security is taxable.

You can apply for benefits over the Internet at [www.ssa.gov](http://www.ssa.gov) or call the Social Security Administration "hot line" at 1-800-772-1213. A representative will answer the telephone between the hours of 7 a.m. and 7 p.m. regardless of time zone, Monday through Friday. 80% of all claims are initiated by arranging for a 20-minute telephone interview.

## KEEPING BUSINESS RECORDS

Just how long a business should keep records is partly a matter of judgment and a combination of state and federal statutes of limitations. Federal returns can be audited for up to three years after filing (six years if under-reported income is involved), so all records substantiating tax deductions should be kept at least that long. Always check with legal counsel before you dispose of important business records.



Here are some recommended retention periods for various records:

Records	Retention period
Cancelled checks	7 years
Credit card receipts	7 years
Paid invoices	7 years
Bank statements	7 years
Tax returns	Permanent
Employment tax returns	7 years
Financial statements	Permanent
Contracts	Permanent
Employee records	Period of employment Plus 7 years
Journal and general ledger	Permanent

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## THE SMALL BUSINESS DEVELOPMENT CENTER

The University of St. Thomas offers free one-on-one consulting for those interested in starting a small business. They now have satellite offices at ANOKA-RAMSEY COMMUNITY COLLEGE as well as the James J. Hill Reference Library. Services may include assistance with strategic business plans, marketing research, financial planning and cash flow management. Contact Barry Kirchoff @ 763-422-3395 or [barry.kirchoff@anokaramsey.edu](mailto:barry.kirchoff@anokaramsey.edu) for more information.

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## HEALTH INSURANCE OPTIONS

If you have questions about Health Savings Accounts (HSA's) and would like to attend a class on this topic, please contact our office at 763-434-5929. When there is enough interest, we will schedule a class.

*Instead of comparing our lot  
with that of those more fortunate  
then we are, we should compare it  
with the lot of the  
great majority of our fellow men.  
It then appears that  
we are among the privileged.*

Helen Keller



## Al's Corner



It was so good to see so many friends and neighbors at the Open House for our new building on November 14, 2006. We are very thankful for our talented and professional staff and are so pleased that they now have better working conditions. We were very crowded before – but they

did not complain. Thanks to all of you who came and thanks to all of you who sent congratulatory notes, flowers, plants, e-mails and/or phone calls. It is all appreciated so much!

## TAX ORGANIZER HAS A NEW LOOK

Tax Organizers will be mailed the first week of January. This year we have spent some time revising the organizer to better serve you and make the most of your tax appointment.

The Organizer has been divided into 6 sections to clearly group personal versus business activities as well as income versus expenses. The first section is General Information with an area for comments or questions you would like to remember for your appointment; the second section is strictly for Personal Income; the third is for Personal Expenses. The fourth and fifth sections are for Business Income & Expenses and Rental Income & Expenses. The final section is a full page for notes.

Using this tool to make the most of your tax appointment will involve reading the italicized notes in each heading area. It will tell you what forms are needed to support the information you provide as well as limits to expense deductions. We have also added "T" for taxpayer and "S" for spouse in some categories. We look forward to seeing you and working with you at tax time!

## \* Education \*

The staff has attended the following classes:

Sue: Income Tax & Ethics Workshop – University of Minnesota

Robin: Regulation, Business Environment – CPA Review, Twin Cities Chapter  
Gear Up, 1040 – MAPA

Ruth: Gear Up, 1040 – MAPA

Paulette: Famous 1040 & 1040 Extra - NATP

## \* Upcoming Community Education Classes \*

Taught by Sue Savarese, CPA

CLASS: **Small Business Recordkeeping**

Date: January 31, 2006

Place: Staff Development Center, Ferry Street, Anoka

CLASS: **Household Budget**

Date: February 13, 2006

Place: Northdale Middle School

For information about these classes, or to register call 763-506-5766

## \* Staff \*

A.M. Sannerud, Founder ..... Certified Public Accountant (Inactive)  
Susan E. Savarese, Managing Partner ..... Certified Public Accountant  
Pauline Mittelstaedt ..... Firm Administrator  
Bruce Carlson ..... Certified Public Accountant  
Robin J. Schnaidt ..... Senior Accountant  
Paulette Hynes ..... Enrolled Agent  
Ruth Hunter ..... Staff Accountant  
Jody Newlander ..... Accounting Clerk  
Nancy Sannerud ..... Receptionist, "Update" Co-Editor  
Betty Sannerud ..... Custodial Services, "Update" Co-Editor  
Mary Lou Michels ..... Custodial Services

**The Update is published for our clients and friends. It is designed to provide accurate information with respect to the subject covered. Before any action is taken based upon this information, it is essential that competent, individual, professional advice be obtained.**

**The Update**  
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**1207 Constance Blvd. N.E.**  
**Ham Lake, MN 55304**

**ADDRESS SERVICE REQUESTED**

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**HAPPY NEW YEAR**