



The C&P Advisors companies are happy to bring our latest newsletter to you. If you have questions on any of these topics, contact your C&P Advisor or the individuals listed.

June 2010

## Managing Through the Recovery

### In this issue:

With job opportunities scarce, one place to consider for potential new customers is government contracting. We offer tips on the prequalification process required by those entities. In addition we take a look at recent legislation and the effect it could have on your business.

- **Decoding the HIRE Act**
- **Developing New Customers**
- **Healthcare Reform**

---

**Over 35 years of  
experience helping  
construction companies  
maximize their profits.**

### Decoding the HIRE Act

To help stimulate business hiring and spending, Congress has passed, and President Obama has signed, the Hiring Incentives to Restore Employment (HIRE) Act. This article will focus on the portion of the act which provides for payroll tax forgiveness, an employer tax credit of up to \$1,000 for qualified new hires, and an extension to the Code Sec. 179 small business expense deduction.

*continued on next page...*

### Developing New Customers

Developing new revenue streams can be challenging especially in construction's competitive marketplace. Due to current public spending policies, many potential new customers can be found in governmental contracting. These entities often require strict prequalification and bidding rules that a contractor must follow. Since nearly every governmental entity has a different set of rules to follow, it is very important for contractors to become knowledgeable of each political body's rules and regulations. The following outlines various tips for preparing stronger applications and also identifies commonly made mistakes when completing applications.

*continued on page 3 ...*

# Decoding the HIRE Act

## Business Credit for Retention of Certain Newly Hired Individuals

Included in the HIRE Act, an employer's general business credit is increased by the lesser of \$1,000 or 6.2 percent of salary for each retained worker that satisfies a minimum employment period. The credit is available only with respect to such individual if all three of the following apply:

1. Was employed on any date during a tax year ending after March 18, 2010.
2. Continues to be employed by the employer for a period of not less than 52 consecutive weeks.
3. Receives wages for such employment during the last 26 weeks of such period that are at least 80 percent of such wages during the first 26 weeks of such period.

An employer that hires new part-time employees is also entitled to the full credit. New employees must remain employed for 52 weeks to utilize the credit.

## Small Business Expense

Buying new equipment? Under Code Sec. 179, small businesses can elect to recover all or part of the cost of qualifying property, up to a limit, by deducting it in the year it is placed in service. Before the HIRE Act, the Code Sec. 179 expense deduction for 2010 was limited to \$134,000 with a \$530,000 cap. As part of the Act, the dollar limit is raised to \$250,000 and the cap to \$800,000. This applies to qualified purchases made in tax years beginning after December 31, 2009 and before January 1, 2011.

For additional information on the HIRE Act, please contact your Ciuni & Panichi professional.

Additional tax saving ideas can be found on our website: [www.cp-advisors.com](http://www.cp-advisors.com)

## Payroll Tax Forgiveness for Hiring Unemployed Workers

Hiring new employees? Under the HIRE Act, a qualified employer's 6.2 percent share of the old-age, survivors and disability insurance (OASDI) portion of Social Security tax liability is forgiven for new hires. This provision applies to wages paid after March 18, 2010 through December 31, 2010. Covered employment is limited to service performed by a new employee who meets the following four tests:

1. Starts work after February 3, 2010 and before January 1, 2011.
2. Certifies by signing new IRS Form 11 that he or she was employed for a total of 40 hours or less during the 60-day period ending on the date such employment begins with your company.
3. Is not employed to replace another employee of the employer unless such employee separated from employment voluntarily or for cause.
4. The new employee is not related to the new employer.

Employers who qualify for the OASDI forgiveness in the first quarter of 2010 will receive the benefit through a credit when they file their second quarter Form 941. After the first quarter, however, the employer does not pay the 6.2 percent tax as wages are paid.

An employer may not receive the work opportunity tax credit on wages paid to an individual during the one-year period beginning on the hire date for the same wages used to qualify for the forgiveness of payroll tax. The work opportunity tax credit is available to employers who hire certified individuals from certain targeted groups of hard-to-employ individuals. The credit varies depending on the amount earned, hours worked, and what group the employee is from. Since the employer must opt out of the automatic payroll tax forgiveness in order to claim the work opportunity tax credit, calculations should be considered before the employee is hired.



# Developing New Customers

Due to current public spending policies,  
many potential new customers can be found in governmental contracting.

## Strengthen the Prequalification Application

Governmental agencies use the prequalification process as a mechanism to assess the contractor's experience, financial position, past performance, and equipment available for contract execution. As such, the prequalification application is one of the best ways to demonstrate early on if the contractor has the capacity and experience to complete the job. Below are quick tips to increase the overall strength of the prequalification application:

- Know the agencies' capacity calculation! Certain assets and liabilities are treated differently from financial reporting or surety calculations.
  - How cash surrender value of life insurance is treated.
  - Does the maturity date of a line of credit affect the maximum capacity calculation?
- Significant affiliate activity may be viewed negatively.
- Fair market value of equipment may be used in place of net book value.
- Unrecorded contingencies and commitments may have an effect on the capacity calculation.
- Provide detailed resumes that highlight the contractor's experience level. Experience is heavily weighted in most prequalification rating systems. Resumes should be accurate, complete, and professional. Utilization of the contractor's human resources department may be beneficial.

## Commonly Made Mistakes on the Prequalification Application

The prequalification applications are typically standardized in order to provide ease to the agency when comparing contractors and performing capacity calculations. As a result of the standardization, there are extensive amounts of required information in very specific formats. Therefore, it is important for the contractor to use caution and pay attention to every document submitted in great detail. The following is a short list of some of the commonly made mistakes on prequalification applications.

- Incomplete or inaccurate information.
- Preparer did not follow proper instructions.
- Improper or incomplete signatures/authorizations.
- Late filing. Most entities have a specific number of days after year end for filing.
- Wrong address or method of submission.
- Improper accountant or auditors' report.
- Supplemental schedules or financial statements that do not agree with prequalification application amounts.
- Filings are for the wrong scope of projects.

## How Can Ciuni & Panichi Assist with Prequalification Applications?

We have extensive experience in assisting in preparing, reviewing, and analyzing prequalification applications with numerous state departments of transportation and other large regional agencies. Please contact any one of our team members for more information on how we can work together on this important aspect of your business.

## Healthcare Reform

On March 30, 2010, President Obama signed the Health Care and Education Reconciliation Act of 2010 into law which amended the Patient Protection and Affordable Care Act of 2010 that was signed into law on March 23, 2010. The scope of the healthcare reform bill is vast, the details still unclear, and the provisions effective over a number of years, but the effects will have a significant impact.

Ciuni & Panichi, Inc. is monitoring all developments pertaining to healthcare reform. If you have questions and need additional information, please contact your Ciuni & Panichi, Inc. professional.



### Timeline of healthcare reform provision effective dates (selective provisions):

#### 2010

- Tax credit – smaller employer (available to not-for-profits at a reduced percentage)
- Dependent adult child coverage
- New simple cafeteria plans for small businesses
- Increased penalty for non-qualifying distributions from HSAs and MSAs (penalty 20%)

#### 2011

- FSAs/HSAs – only covers doctor prescribed medicines
- Value of health benefits on W-2

#### 2013

- Additional Hospital Insurance Tax for high wage workers (.09%)
- Surtax on unearned income (3.8% on net investment income)
- 10% AGI floor on itemized medical deductions
- \$2,500 cap on FSAs

#### 2014

- Penalty for remaining uninsured
- Large employer mandate “Play-or-Pay”

#### 2018

- 40% excise tax on high-cost insurance

The construction industry is very competitive and it is important to put your best foot forward.

Contact Ciuni & Panichi, Inc. today to discuss how we can help you structure your business and personal finances to accomplish your goals.

**We are a team knowledgeable in and dedicated to the construction industry; contact any one of us at 216-831-7171.**

John Troyer and Brian Marita: Construction Partners

Jeremy Harrison and Kristen Schrader: Construction Audit Specialists

Alan Urbancic and William Schneider: Construction Tax Specialists