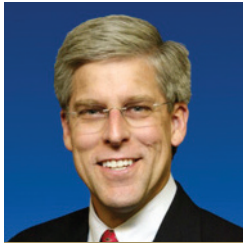




STATEMENTS

Second Quarter 2008



Economic Stimulus Act of 2008 – Business Provisions

by Jay Gilson, Stockholder

The President recently signed the Economic Stimulus Act of 2008 that is intended to jump-start the economy, by providing incentives to both individuals and businesses. While the individual incentives have received a great deal of press, greater benefits are available via business tax incentives intended to encourage businesses to increase their purchases of new equipment in 2008. Under the Act, small businesses will be able to write off up to \$250,000 of qualifying purchases in 2008. Businesses will also be able to deduct an additional 50% of the cost of certain investments in 2008. Here are the details:

Boosted section 179 expensing. Under old law, taxpayers can expense, instead of depreciating, up to \$128,000 for 2008. This annual expensing limit is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during 2008 exceeds \$510,000.

Under the Act, for years beginning in 2008, the \$128,000 expensing limit is increased to \$250,000, and the overall investment limit is increased from \$510,000 to \$800,000. The amount of the expensing deduction is limited to the amount of taxable income from any of the taxpayer’s active trades or businesses.

As a result of this incentive, most small businesses, and even some moderate-sized businesses with moderate capital equipment needs, will be able to fully deduct the cost of business machinery and equipment purchased in 2008, thereby reducing the effective cost for those assets. What’s more, there is no alternative minimum tax (AMT) adjustment with respect to property expensed under Code Sec. 179.

Bonus depreciation makes a comeback. Bonus first year depreciation was first allowed following the terrorist attacks of 2001, but generally isn’t available for property acquired after 2004.

The Act provides for accelerated depreciation by allowing an additional first-year depreciation deduction of 50% of the adjusted basis of qualified property placed in service after Dec. 31, 2007, and, generally, before Jan. 1, 2009. The taxpayer may elect out of deducting additional first-year depreciation for any class of property for any taxable year.

Bonus depreciation is allowed for AMT purposes as well as for regular tax purposes. Additionally, bonus depreciation is permitted only for: (1) property to which MACRS applies that has an applicable recovery period of 20 years or less, (2) water utility property, (3) non-custom-made computer software and (4) qualified leasehold improvement property. Original use of the property must begin with the taxpayer after Dec. 31, 2007. The placed-in-service cutoff date is extended for an additional year (i.e., before Jan. 1, 2010) for certain property with a recovery period of ten years or longer and certain transportation and aircraft property.

The otherwise applicable “luxury auto” cap on first-year depreciation is increased to \$8,000 for vehicles that qualify.

If you have any questions regarding these new provisions, please do not hesitate to contact your RINA representative.

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Client Corner

The American University of Armenia Corporation

by Pamela Raumer, Business Development Director



Organized on the American model of higher education, the American University of Armenia (AUA) provides graduate teaching, research and service programs in a setting that values and develops academic excellence, free inquiry, scholarship, leadership and service to society. The programs prepare students to address Armenia's need for sustainable development, as well as the needs of the surrounding region. It is the first institution of higher education in the region to be accredited by the Western Association of Schools and Colleges.

In the aftermath of the collapse of the Soviet Union and the tragic 1988 earthquake, Armenia began a new era of formal political independence with the opportunity to redefine its values and

culture. With the rebirth of the Republic of Armenia came aid from the American government, professionals and educators. The AUA was founded in 1991 by both American and Armenian educators to foster democratic processes. Classes began on September 23, 1991 with 101 graduate students. While the majority of the AUA's current 350 students are from the Armenian region, instruction takes place in English. Academic programs include:

- Business & Management
- Industrial Engineering
- Information & Communication Technology
- Political Science & International Affairs
- Health Sciences
- Law & Comparative Legal Studies
- Teaching English as a Foreign Language

From its offices in Oakland, California, the American University of Armenia Corporation

(AUAC) operates AUA in conjunction with the American University of Armenia Fund, an entity organized under the laws of the Republic of Armenia. The AUAC is affiliated with the University of California and received substantive financial support from the Armenian General Benevolent Union to establish the AUA. Continuing support is also received from American Schools and Hospitals Abroad, the United States Agency for International Development, and generous individual donors. With the construction of a major new building projected for completion by fall 2008, and new Study Abroad programs, the AUA is projecting a substantive increase in its enrollment.

If you would like additional information about AUA or AUAC, visit their website at www.aua.am.

“We are very pleased with RINA. This has been a very good relationship. Ed’s curiosity and willingness to look outside the box has worked very well for us.”

– Richard Youatt, AUA Operations Manager on working with Ed Fahey and RINA



Defining and Disclosing Fair Value Measures

by Lorraine Bautista, Audit Senior

The purpose of FASB Statement No. 157 - effective for annual statements for fiscal years beginning after November 15, 2007 - is to clearly define the description of “fair value”. FASB 157 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” It is an attempt to clarify whether fair value should be based on what the owner would receive upon selling an asset (also known as the exit value) or what they would pay to buy a new one (also known as the entry value.)

Developed to bring consistency and uniformity to practice, FASB 157 identifies points that management must pursue in estimating fair value of assets or liabilities. The central component of this standard is the “Fair Value Hierarchy” which describes ways to measure valuation. The three levels of the Fair Value Hierarchy are as follows:

Level 1: The preferred measurement tool is to “quote prices in active markets for identical assets or liabilities.” In order to do this, the entity must have access to that market. Information obtained at this level would be considered highly reliable.

Level 2: The board acknowledges that obtaining or observing identical transactions described in Level 1 is usually uncommon, therefore Level 2

was created. This compares the asset or liabilities to a less active market. As the company must make assumptions about the fair value of the items, this measurement tool is not as reliable as Level 1.

Level 3: If an asset or liability cannot be measured from Levels 1 and 2, Level 3 acknowledges that fair value measures of many assets or liabilities are less precise. It is described as “unobservable” and allows “for situations in which there is little, if any, market activity at the measurement date.” Therefore, measurement is not based on observation but purely on assumptions made by the reporting entity.

Since estimating fair values of assets and liabilities creates different results, FASB 157 provides for disclosure requirements that let financial statement users know how the fair value has been estimated. Above all, the reporting entity must have separate disclosures about assets and liabilities where fair values are measured repeatedly from those where fair values are measured occasionally or one time only.

If you have questions about fair value presentation in financial statements, your RINA representative is prepared to help.



RINA Expands to the Pacific Northwest

by Sally McColloch, Tax Manager

In February 2008 RINA opened an office in Bellingham, WA. This office will support other RINA offices via tax compliance services and will expand our accounting practice into the Pacific Northwest. Bellingham's close proximity to both Seattle, WA and Vancouver, British Columbia, provides the opportunity to expand our services to include cross-border and related tax specializations. Situated between the San Juan Islands and Mt. Baker, Bellingham enjoys a spectacular natural environment. The area has experienced much recent growth as many businesses have either relocated to the region or have been developed through local entrepreneurs. Bellingham is home to Western Washington University, ranked for eleven years in a row by U.S. News and World report as the best regional public university in the Pacific Northwest. Additionally, the area has consistently been chosen as a top place to live by Money Magazine, Outside magazine, AARP, and Men's Journal.

We'd like to introduce you to RINA's Bellingham office staff:

• **Sally McColloch**, formerly a Tax Manager in the San Francisco office. Sally joined RINA in July of 1999 with the merger of Stuart Weinstein's practice into RINA. With over 20 years of experience in public accounting, Sally understands partnership and LLC issues, private foundations, trusts and personal tax matters. She has extensive experience providing tax planning and compliance services for individuals and small businesses.

Sally is a graduate of Scripps College and is a licensed CPA in California and Washington state. She is active in the PTA and enjoys running and hiking in the beautiful Pacific Northwest.

• **Amy Kittinger** has over ten years of experience in public accounting, with an emphasis on tax compliance for individuals and small businesses. She also has extensive cross border experience including tax planning and analysis, preparing tax returns for international clients owning businesses in the United States and United States citizens owning and operating businesses in foreign countries.

Amy is a graduate of Western Washington University and is a licensed CPA in Washington State. She is also a member of the Washington State Society of CPAs. She enjoys camping and boating with her family during the brief Washington summer months.

• **Marcia Gaven** has over twelve years of experience in both public accounting and private industry. She has expertise in tax compliance for individuals and small businesses, as well as financial statement preparation and support. She has much experience with cost accounting and the preparation of cost reports.

Marcia is a graduate of Drexel University in Philadelphia. She is involved with Girl Scouting and enjoys skiing and boating.

• **Kimberly Quinn** has successfully managed a business management firm with accounting and support to small businesses, including financial statement and tax return preparation. She has an extensive background in Human Resources, and has managed multiple acquisitions and HRIS implementations. She has run benefits administration for several mid-sized companies, including all benefits and payroll, administering various audits, plan design/cost, and all tax filings.

She is a graduate of Western Washington University and a former member of the American Payroll Association. She has been a guest lecturer on Employee Benefits for the Anderson School of Business at the University of New Mexico. Kim enjoys reading good books and drinking good coffee.

• **Jacqueline Reed** has been engaged in bookkeeping and accounting for many years. She has been an active small business owner in Bellingham, and is involved in many professional and civic organizations. She also has a background in advertising and marketing.

Jackie is a graduate of Western Washington University, and is active in the Bellingham Chamber of Commerce and the Business Networking Alliance. She is an avid runner, biker and loves all outdoor activities.



Developments in the Area of Like-Kind Exchanges of Tenancy-In-Common Interests

by Tom Neff, Tax Manager

Under Revenue Procedure 2002-22, a Tenancy-In-Common (TIC) interest, unlike a partnership interest, is considered like-kind property for purposes of an IRC §1031 exchange. However, the FTB is auditing §1031 exchanges of TIC interests in some instances where the TIC more closely resembles a partnership.

The FTB is following the Revenue Procedure 2002-22 conditions as a minimum requirement for determining the existence of a TIC interest and will request substantiation of those conditions in order to make a determination. The FTB is considering facts

and circumstances, to determine whether an interest in a rental property is a TIC interest both in form and in substance.

The primary issue, which is whether the parties actually intended to and did in fact join together for an "undertaking of an enterprise," will hinge on the following factors:

- the agreement between the parties, and whether its terms are being followed
- control over income and capital, and the right to take distributions
- whether the parties share in net profits and losses

- whether the business was conducted in the joint names of the parties, and whether they held themselves out as a joint venture
- whether separate books were maintained for the venture

Careful consideration needs to be given to each of these factors in structuring an exchange of real property held as a TIC.

If you need assistance regarding a like-kind exchange of a TIC interest, please call your RINA tax advisor.

RINA Second Quarter

APRIL

April 1

- Alameda, Contra Costa, Los Angeles, Marin, Napa, Sacramento, Santa Clara, San Francisco, San Mateo, Solano and Sonoma counties business property tax statements due

April 15

- Form 1040, 2007 individual income tax returns due
- Form 1065, calendar year 2007 partnership tax returns due
- Form 1041, calendar year 2007 trust and estate income tax returns due
- First Quarter 2008 estimated tax payments for individuals, trusts and calendar year corporations due

MAY

May 1

- Legal deadline for filing business personal property statements without penalty

JUNE

June 15

- Calendar year corporation 2007 income tax returns due

Upcoming Real Estate Seminar featuring KNBR's Gary Allen

RINA is hosting a real estate seminar on Thursday, May 22nd along with Oakland law firm Burnham Brown and Bay Area Development Co., at Round Hill Country Club in Alamo. Our panelists will be discussing the challenges of owning and leasing real property to closely-held businesses. Contact Pamela Raumer for more information at 925-274-5740 or praumer@rina.com.

RINA Gives Back

by Pamela Raumer, Business Development Director

High School Ethics Day



Ethics Day, sponsored by the Walnut Creek Chamber, brings 85 high school students and 24 business leaders together for an interactive exploration of some of the ethical challenges facing all of us today. The goal of Ethics Day is to introduce students to ethics as a science that explains the valuing process and provides a theory of explaining why conduct is considered good or bad. Pamela Raumer, RINA's Business Development Director was one of the 24 business leaders that participated in this program.

RINA Recognized as People-Oriented Firm

by Carrie Whisler, Human Resources Director

RINA is proud to announce that we were recently recognized by *Inside Public Accounting* as one of the top firms in the Human Resources category for a combination of low staff turnover, greater training opportunities and higher staff salaries. This category represents the most stable, people-oriented firms with a focus on work-life balance. Two hundred and twenty-four CPA firms participated in *Inside Public Accounting's* 2007 survey which provides an extensive analysis to assist firms in measuring their performance against their peers.



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