

IN THIS ISSUE**The Woodsman****Malware + Smartphone =
Identity Theft****A Small Token of Gratitude****New Name for Seasoned
Practice Group****Blog Launch, "Firm Footing:
Where we stand on the issues"****FROM THE MANAGING PRINCIPAL**

John M. Chandler, CPA
jchandler@berrydunn.com

The Woodsman

He worked and recreated in the woods his entire life—logging, hiking, fishing and hunting. He referred to himself as a woodsman. In 1961 he moved with his wife and baby son into an old cape with an attached ell and a large barn.

If we are going to get out of the fiscal mess, we need more woodsmen.

He lived there for nearly a half century, laboring tirelessly on a bountiful vegetable garden to the side of the barn and a magnificent flower garden in back of the house. Over the years he entertained and educated countless visitors on a small front porch as he kept busy with myriad activities from whittling to husking corn to shelling dried beans.

Inside the house was a well-worn recliner with a view of the backyard through the porch door. In the summer, the heavy wood door with glass panes opened to a screen door through which one could feel the fresh air, smell the flowers, hear the running brook, and frequently catch a glimpse of fauna. I visited the woodsman one warm summer day and sat on the couch near the recliner in which he relaxed, ever so briefly, between outdoor activities. As we chatted about contemporary, mostly political, matters, I looked out the screen door at the flower garden in full bloom. In doing so, I observed a small solitary hole in the screen.

I inquired of the woodsman, "How'd you get that hole in your screen?" The woodsman

explained, "I shot a squirrel." "Let me get this straight," I said. "You shot out through the screen at a squirrel?" "That's right," he replied. "Why did you do that?" I asked. "Well, I damned well couldn't go outside and shoot back at the house!" I found it enlightening (but not surprising, given his epic battles with squirrels that raided his bird feeders) that there was no question as to the squirrel's destiny—only an explanation of the most judicious means of effectuating it. I paused. Then queried, "Okay. When do you plan on fixing the hole?" The woodsman looked at me with that familiar twinkle in his eyes and deadpanned, "I dunno. I may have to use it again."

In addition to having great fun at my expense, the woodsman was interested in government and politics. He was involved in town government for years on various committees (one could count on his being the lone dissent on most budget committee recommendations to town meetings) and as a selectman for nine years. A registered Republican, he was what I can best describe as a libertarian. He loved the town meeting format and believed in (CONTINUED ON BACK PAGE)

ADVISOR

Malware + Smartphone = Identity Theft

How can you protect yourself and your employees from losing credit card numbers, private personal information (Social Security numbers, addresses, dates of birth), or financial information (bank account numbers, login IDs, passwords) from a mobile phone?

A moving target

There are now 234 million smartphone users, including many of your employees. At least 47% of mobile phone users have some form of a "feature" phone, so even if they don't have a paid cellular data plan, users with Wi-Fi-enabled phones can surf the web, text to others, and get emails, whenever they access free Wi-Fi. And anytime they go on the open Internet, they potentially expose their devices to malware (malicious software that can disrupt an operating system).

Where's the risk?

Android phones have the most users, and, not surprisingly, Android has the most malware, with an increase of 580% between September 2011 and September 2012. Android may be the most popular smartphone, but it's also the least secure smartphone. Google created the Android operating system, but it writes very few of the "apps" (small programs that do various activities) that its online "Play Store" sells. The applications are developed primarily by independent software developers, and Google does not review the applications for security risks.

Apple doesn't write many applications, either, but it puts the ones it sells through a thorough vetting process, and only allows iPhone users to install apps via the iTunes store. While there are reports that Google might improve its

vetting process for its own apps, it continues to allow Android users to install applications obtained outside the Google store, which means those apps won't be vetted at all. That's fertile ground for unsuspecting users to download a free game or a knockoff of a legitimate application that contains malware.

The biggest risk is...

Our mindset. We may still think our smartphones are just phones, but they have the ability to play games, watch videos, send messages, take and store pictures, get email, and surf the web, which means they are as vulnerable as computers. They are computers, just very small ones.

If your employees use smartphones to access your company's systems, you need to account for those smartphones in your IT security planning. Educate your employees about the ways in which their smartphones could become infected by mal-

(CONTINUED ON PAGE 3)

A Small Token of Gratitude: How to account for "de minimis fringe benefits"

How big is "small"?

If you provide your employee with property or services that have a small (nominal) value, and accounting for them is unreasonable or administratively impractical, this qualifies as a "de minimis" fringe benefit. The value of the benefit is determined by the frequency provided to each individual employee or, if this is not administratively practical, by the frequency provided to the whole workforce. For example, the meal at an annual employee holiday party would qualify as a de minimis fringe benefit. There are special rules that provide limited exceptions for employee length of service or safety achievement awards of tangible personal property (which do not include cash, gift cards or certificates, or other cash equivalents).

The gift that keeps giving: No taxes on de minimis benefits

De minimis fringe benefits are not subject to income and employment taxes. The IRS has not established a dollar threshold that can be applied when determining if goods and services qualify as de minimis fringe benefits. If a fringe benefit does not qualify as de minimis, generally the entire amount of the benefit is taxable and is subject to all payroll and income tax withholding.

Whether or not the fringe benefits you offer your employees are taxable, you may want to let your employees know.

Cash doesn't count

Cash or a cash-equivalent benefit (e.g., a gift certificate, gift card, or other stored-value card) is generally not a de minimis fringe benefit. This means that providing employees with nominal amounts of cash or gift certificates (e.g., a \$50 gift card for meeting a goal) do not qualify as a de minimis fringe benefit. The receipt of cash by the employee is always taxable even if the employee uses the cash to purchase otherwise de minimis benefits. For example, cash provided to an employee for theatre tickets is fully taxable even though the value of the theatre tickets given to an employee might be excludable as a de minimis fringe benefit.

Read the fine print

A certificate that allows an employee to receive a specific item of personal property that is minimal in value (e.g., a certificate for a Thanksgiving turkey), is provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances. However, gift certificates that are

redeemable for general merchandise or have a cash-equivalent value are not de minimis benefits and are taxable. For example, an employer's \$35 gift coupon that is redeemable for anything sold at a particular store is a cash-equivalent taxable benefit subject to payroll taxes. Even though the coupon contains several restrictions that limit the time period in which the coupon can be used and stipulate that unused portions are forfeitable, which prevent the employee from converting any of the certificate to cash, such employer-provided gift coupons operate in essentially the same way as a cash-equivalent fringe benefit and so do not qualify as de minimis fringe benefits.

Deciding what to give

It's a truism that the value of a gift, especially for employee morale, is worth much more than a dollar amount. When you decide which fringe benefits to give your employees, you probably consider several factors: What's the purpose of the benefit? What's appropriate for the employee? What expresses the firm's gratitude best?

While the tax implications of the fringe benefit may not be your deciding factor, it's certainly something to consider.

New Name for Seasoned Practice Group at BerryDunn

We're pleased to introduce you to our state and local tax experts, collectively known as SALT.

We sat down with John Weaver, head of SALT and a senior manager in our Manchester office, and Dave Erb, Principal and Practice Group Leader for BerryDunn's Tax Consulting and Compliance group, to chat about SALT.

Q: You've long been advising clients on state and local issues. Why is it important now to formalize your SALT efforts?

DAVE: It's no secret that state and local governments are looking for new sources of revenue. Taxes are certainly one of the items at the top of their list.

JOHN: They're more strictly enforcing existing tax laws that may not have been on a company's radar—like sales and use tax. It also means we're seeing new laws and regulations being put forward all the time. And new interpretations of old laws.

It's increasingly common for businesses to be multi-jurisdictional these days.

DAVE: Exactly. Businesses realize they may be facing more liabilities than ever before, but they don't always have the time or wherewithal to keep up on the day-to-day changes. Better technology makes it easier for states to track who is doing business in their jurisdiction, so it's important to get it right.

JOHN: That's where our SALT practice comes in. We can offer a collective, one-stop resource on the latest laws and rulings. Clients want to know precisely how a SALT issue might affect them. But because these laws are open to interpretation, there is a lot of confusion. We help people figure out how to address or avoid exposure.

Q: What types of companies need to keep an eye out for SALT issues?

DAVE: Everyone. It's increasingly common for businesses to be multi-jurisdictional these days.

JOHN: So many New England companies conduct business across state borders, whether it's a Maine construction firm providing services in New Hampshire, or a Massachusetts firm with a sales rep in the Midwest.

DAVE: This means you not only need to know your local state laws, your company may be subject to regulatory changes across the U.S., wherever you have business dealings.

JOHN: And the Internet has changed everything.

DAVE: You might not think twice about ordering a \$40 book from Amazon.com for your office. But if all of your employees are doing that, it's easy to quickly rack up the local sales or use tax you owe but not as easy to keep track of it.

Q: Looking ahead, what do you see in the future for SALT regulations?

DAVE: SALT regulations have been around for a long time, but states have new and better ways of enforcing and auditing for them. Your business transactions and movements can be quickly and easily tracked: 1099s, cellphone call records, credit card receipts, electronic invoices of online purchases, and even electronic toll booth collections.

JOHN: We know we're going to see SALT issues ramp up in the coming years, so we're getting our clients ready. We want to help them keep track of everything, look for opportunities in tax planning, and optimize their tax savings. It all comes down to knowing which of the many regulations apply to each company. We want to help our clients gain control over their liabilities and gain confidence that they are paying as little as possible while staying compliant.



(IDENTITY THEFT CONTINUED)

ware, which, in turn, could provide information to the company's systems. Smartphone users must make the same security decisions they do on their computers:

- Don't click on links sent by email or text message.
- Don't call phone numbers sent by texting—even from people you know. It's not safe.
- Don't install applications on Android phones unless they are in the Google "Play Store" or otherwise vetted through a trusted source.
- Don't respond to the emails that ask for your personal information in order to resolve an urgent matter ("Your package is ready," "PayPal is shutting you off," etc.). Legitimate companies never communicate that way. If you're not sure, bypass the link in the email and go directly to the site, or call the company that sent the email.
- Apply a password, and set the phone to wipe (erase) itself if too many attempts are made.
- Don't put confidential passwords in your phone's "notes" feature. If the phone is stolen, all that information is captured, too. Purchase a legitimate application that will secure that information on your smartphone.

Even if your company has not issued the smartphones to your employees, you are still vulnerable. Create company policies and procedures that help your employees help themselves with mobile phone security.



100 MIDDLE STREET
4TH FLOOR
PORTLAND, ME 04101

36 PLEASANT STREET
BANGOR, ME 04401

1000 ELM STREET
15TH FLOOR
MANCHESTER, NH 03101

300 CAPITOL STREET
SUITE 1610
CHARLESTON, WV 25301

PRSTD STD
U.S. POSTAGE
PAID
PORTLAND, ME
PERMIT NO. 174

Learn more. Visit us at berrydunn.com or call 800.432.7202. • Portland, ME • Bangor, ME • Manchester, NH • Charleston, WV

(THE WOODSMAN CONTINUED FROM PAGE 1)

limited government, fiscal prudence, and, above all else, individual liberty. While he understood the necessity of some form of governance, he believed that it should be held firmly in check by the will of the people. He was especially wary of the branch of government he called “fish cops”—game wardens—but he maintained a healthy level of mutual respect with them, and managed to stay within the boundaries of the law.

He cared deeply about family, friends, and fellow townspeople, working tirelessly as a volunteer, raising funds to help the community, and lending a hand whenever a neighbor needed help. He never sought fame or accolades. He just did these things because it was right and made him feel good. If “W” hadn’t wrecked the term for all eternity, I would have thought the woodsman a “compassionate conservative.”

The woodsman was—still is—my father John Royce Chandler, who passed away on October 4, 2012. These few words tell very little about all he accomplished in his life but much about his spirit, character, and the reason he was loved by so many.

Our country engaged in a heated Presidential race. Before the woodsman passed we

asked him who he would support for President. We asked him if he would vote for Romney and he replied in the negative. We asked him if he would vote for Obama and he replied in the negative. He simply didn’t believe that either of them really “get it.” While the woodsman and I weren’t always in lock-step, with that analysis I concur. If we are going to get out of the fiscal mess we need more woodsmen: more people who believe in self-sufficiency and civic engagement, good arguments and good humor. We may need to remember a time when not everything was either/or, and we could see old problems in new ways. Sometimes a door isn’t just a door. It’s a sight.

To support our brand promise of knowledge sharing, we have launched our blog, “Firm Footing: Where we stand on the issues.”

Visit berrydunn.com/firmfooting to read:

- Our thought leaders and subject matter experts in their own voices
- Incisive commentary on business topics in the news
- Clear explanations and announcements of deadlines and regulation changes

- Answers to frequent questions from our clients and prospects

Please leave comments and questions, and share the conversation with colleagues who can gain traction from our perspectives.

This newsletter supports BerryDunn marketing of professional services, and is not written tax or business advice directed at the particular facts and circumstances of any person. If you are interested in the subject of this document, we encourage you to contact us or an independent tax or business advisor to discuss the potential application to your particular situation. Nothing herein shall be construed as imposing a limitation on any person from disclosing the tax treatment or tax structure of any matter addressed herein. To the extent this newsletter may be considered to contain written tax advice, any written advice contained in, forwarded with, or attached to this article is not intended by BerryDunn to be used, and cannot be used, by any person for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.



What Can Data Do for You?

Data's influence in your daily life

Remember the popular United Parcel Service (UPS) commercials asking, "What can brown do for you?"

Well, "What has data done for UPS?" As one of the premier data analytics companies in the world, data drives every facet of UPS's operations, down to whether its drivers make a left or right turn. (Fact: A right turn almost every time—it's safer and saves gas). While delivering boxes door to door may appear to be a simple, old-fashioned task, your UPS driver receives data, direction, and leadership from an organization that continually improves processes based on the mounds of data it collects from customers, workers, and even weather forecasters on a second-by-second basis.

How to be the UPS of higher education

Like UPS, colleges and universities are in the delivery business. The college experience and learning that faculty and administrators deliver, however, will have a longer-lasting impact on your students than the Amazon box just delivered by UPS.

Most colleges and universities have already created a centralized data repository for student, employee, and organizational data. Ideally, these integrated systems provide campus leadership with a system of record that the president's team can use to make decisions about future program direction and student trends. This, in turn, should enable the organization to streamline operations, provide better student service, and inform strategic decision-making. Unfortunately, the reality for too many schools today is that data

has remained siloed, and, in some cases, lacks integrity and quality. It's difficult to move an organization forward based on information that cannot be verified or trusted by leadership.

You have already invested hundreds of thousands of dollars in information systems, but what good are your systems if they're not helping to improve the services, accountability, and performance of your institution? The potential return on investment with data remains high, if you effectively harness the power of information.

Like UPS, colleges and universities are in the delivery business.

The human side of data collection

While data collection is a technical task (with today's user-friendly technology, you don't need to be a computer scientist to master it), the outcomes are far from technical. Seemingly impersonal data can personalize mission-critical goals such as empowering students for success, improving learning, and supporting institutions that want to keep connected with students through graduation and beyond.

- **Empowering students for success** Through conventional data analysis and statistics, many universities can determine the likelihood that a given student will graduate. But does the student know this? In the end, it's the students who need to know their academic standing, and learn to adjust to the demands that college life brings. To improve student success at the University of Kentucky, the IT department is developing an enterprise system workflow tool with an in-memory analytics engine that sends alerts to specific faculty members and advisors. This makes escalation and follow-up easier so students can receive preventive help before it becomes too late.

- **Improving student learning** Data collection can help complement—not replace—face-to-face instruction. At Purdue University, the IT department has a tradition of developing tools to assist the faculty in improving learning outcomes. One example of a tool that leverages social media is called "HotSeat." This application uses student conversations on Facebook and Twitter to improve student learning. Software captures student comments about a class and allows everyone (students and teachers) to view the comments. Students can post to HotSeat via their Facebook or Twitter accounts, or can send a text message through the website. Teachers use HotSeat to monitor student participation and pose questions to the class. Questions submitted through HotSeat can indicate to the professor areas that need more focus in order to increase student understanding.

- **Creating lifelong relationships** Opportunities exist outside of day-to-day operations. For alumni relations, a university can use social media data to gain a better understanding of who's actively engaged with the school and thus a more likely financial supporter. In today's age of shrinking sources of traditional revenues, institutions that leverage their social media investments can use the resulting data to stay connected with potential donors. (CONTINUED ON BACK)