



600 Blair Park Rd
Williston, VT 05495
802-878-1963
Fax: 802-878-7197

www.dh-cpa.com

As many of our business clients know, this tax season we provided a service that showed clients an analysis of their company in comparison to industry peers, allowing for the ability to identify areas where the company is underperforming or outperforming its competitors. This free service was offered to help business owners better understand key financial trends, as well as to encourage clients to take a proactively approach in managing the financial aspects of the company, particularly during these challenging economic times.



John W. Davis, CPA, CFP®, CVA

Included with these meetings was a discussion of certain important operational procedures for the company. Topics of discussion included cash flow and budgeting issues, building in additional financial or accounting controls, establishing short and long-term goals for the business, as well as various other items relating to successfully managing a business.

The areas addressed during each of these free meetings was directly linked to the Firm's Entrepreneurial Advisory Services, which are geared towards business owners who are interesting in growing the size of their business, who want to improve certain operational procedures or who need assistance in addressing any issues relating to how the business can become more successful. These services are particularly beneficial during challenging economic times because now is when businesses should remain focused on managing the bottom line and implementing the necessary changes to ensure profitability does not erode. Our goal is to help our clients so that they remain well positioned to be competitive throughout all economic cycles. Business owners that can answer "Yes" to any of the items below may be good candidates to take advantage of our business consulting services:

- Is cash flow and/or maintaining profitability becoming more difficult for you?
- Do you want to address key areas in your business to improve operations but simply do not have the time?
- Are you attaining your financial goals?

Our business consulting services can be custom tailored to your specific situation to help you achieve your business and personal financial goals. Your success is our success.

ASK JOHN

How do I know when I can properly claim a child or relative on my tax return?



When claiming a qualifying child or relative on your tax return, there are many things to keep in mind. In general, to qualify as a taxpayer's child, the dependent must pass four tests: Relationship, Residence, Age and Support. The child must be a child or stepchild, foster child, sibling or stepsibling, or a descendant of one of these to meet the relationship test. The child must live at the same residence as the taxpayer for more than half of the tax year. The qualifying child must be under the age of 19 at the end of the tax year, or under the age of 24 and a full time student

for at least five months of the year. The taxpayer must provide more than half of the qualifying child's support for the year.

If a child can be claimed as a qualifying child by two or more taxpayers in a given year, then the one with whom the child lived for the longest time during the year, or, if the time was equal, the parent with the highest AGI can properly claim the child. It is important in divorce situations to settle who is going to claim the child(ren) each tax year. If both parents try to claim the child(ren) in the same year, the return that was submitted first will be accepted and the second parent's will automatically be rejected.

OVERVIEW OF COMMON SBA LOAN PROGRAMS



As a result of America's Recovery & Reinvestment Act, a number of provisions relating to the Small Business Administration (SBA) have been changed to help business owners through financial difficulties associated with the challenging economic environment. The following information is intended to provide an overview of some of SBAs more effective programs that your business might be able to benefit from.

Basic 7(a) Loan Guaranty Program

- The 7(a) program is the most basic and most used type of SBA loan. The terms of this program are designed to be fairly broad. A maximum term of 25-years for real estate and equipment and typically 7-years for working capital
- The SBA guarantee on this program is currently a maximum of 90%, meaning that the lender is exposed to only 10% of the loan if the borrower defaults. Note that the maximum guarantee level was temporarily increased to 90% as a result of the Stimulus Bill.
- Examples of uses include to purchase land, buildings, equipment, existing businesses, etc.

504 Loan Program

This program provides long-term, fixed rate financing to acquire real estate or equipment. Additional specifics include:

- 50% of cost provided by traditional commercial bank; 40% provided by a community development program (VEDA); 10% borrower equity
- SBA will guarantee a maximum of 90% of the loan amount
- Cannot be used to support working capital, purchase inventory or to refinance existing debt

Deferred Loan Program

- \$35,000 loan to help businesses through the current economic difficulties
- Can be used to make payments of principal and interest on existing qualifying debt for up to 6-months
- Interest-free, 100% guaranty from the SBA
- Best candidates for this loan are small businesses that have been profitable but are currently struggling and may be just beginning to miss loan payments due to financial hardships

COMPANY SPOTLIGHT: GORDON'S WINDOW DÉCOR



What makes Gordon's Window Décor unique? For starters this locally owned and operated multi generational family business not only retails their window treatments but also makes them – keeping jobs in Vermont. What this means for their clients is that Gordon's understands and controls every aspect of their product lines, offering superior quality at highly competitive pricing delivered consistently on time. This also makes them especially equipped to handle the many unusual window shading problems found in Vermont.

Started in 1985 by owner and founder Gordon Clements, Gordon's Window Décor has grown over the years from a one person home operation to a staff of

over 30 qualified professionals with five different offices located in Vermont, New York, Massachusetts and Virginia. They have been in their main showroom and plant in Essex Junction, VT for those 23 years and yes, they will be here to service their products and Clients in the future.

Although it may seem that the decision to move toward a more comfortable and energy efficient home has to be expensive, time consuming and made at the cost to aesthetics, Gordon's Window Décor is one company that has mastered that dilemma with their innovative EcoSmart energy efficient window shades. These shades are not only stylish and money saving, they are the only shades that qualify for the \$1,500 Federal tax credit. Gordon's also offers free no-obligation consulting and design services at your home or business.

For additional information on Gordon's Window Décor and their services you may reach them at 802-655-7777, or check out their comprehensive website with a virtual decorator at www.gordonswindowdecor.com.

Our Funny Side

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"The key to time management is strict and disciplined adherence to a rigid schedule, while remaining flexible enough to let anything happen at any time."

OFFICE BUZZ



Summer Office Hours

Summer is on its way and we are starting to see the weather Vermonters have been waiting all winter for!

Please note that each Friday from May 1st through August 29th our employees benefit from a 1/2 day on Fridays. **Our office closes at 12 noon each Friday.** If you call or e-mail, your message will be returned on Monday. Thank you!

SBA Loan Seminar

On June 2nd Davis & Hodgdon Associates held a seminar on the new SBA loan programs at Vermont Technical College.

If you missed it, we have partnered with the Lake Champlain Regional Chamber of Commerce to hold a second seminar.

Thursday, June 25th

8:00-9:30AM

For more information please call our offices at 802-878-1963.

1040 Contest Winners

Congratulations to the following Clients for winning this years 1040 drawings.

Paul & Peggy List
Todd & Ellen Drolette
Betsy Schwenker
Ed & Maureen Murphy

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Internal Revenue Service Circular 230

Disclosure. Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the advice set forth herein with respect to U.S. federal tax issues was not intended or written by Davis & Hodgdon Associates CPAs to be used, and cannot be used, by you or any taxpayer, for the purpose of (i) avoiding any penalties that may be imposed on you or any other person under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.



Find the misspelled word!

We have hidden one misspelled word in our newsletter

Be the first to find it and call our office at 802-878-1963

YOU WILL WIN \$10!*

* if you have won recently, please allow others the opportunity to win – thank you.

THANK YOU FOR YOUR REFERRALS



We feel that client referrals are one of the best marketing tools a company can have. Over the years Davis & Hodgdon Associates CPAs' growth can be credited to the friends, family members and colleagues that have sent new clients our way. We consider this the highest of compliments to the firm and quality of service we strive for.

As a thank you for referring anyone who becomes a new client, we will give you a \$25 gift certificate to a local area restaurant of your choice - just mention this ad.



As a member of CPAConnect, we are part of a leading national network of over 250 local CPA firms. CPAConnect is an affiliate of CPAmerica International, which is one of the largest CPA networks in the United States.

This affiliation provides a knowledge base that allows us to offer our staff and clients access to additional expertise and resources from across the country and around the world.