



Jack



Bill



Bob



Ken



Ken



Gloria



Eileen

*Happy
Holiday
Wishes
To All!*



Barbara

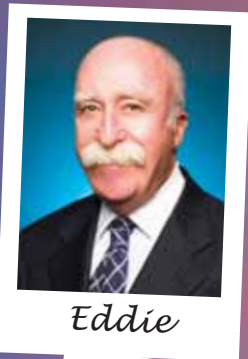


Steve

*Warm Regards,
The Partners
& Staff
of NSBN*



Sharon



Eddie



Phil



Marlene



Gary



Kathy



Dennis



Sharey



Jenifer

Tax Law Update

By **Barbara Kogen, CPA, Partner**



2006 Opportunities and Pitfalls

The tax law changes constantly. Several changes have been made to the tax law that impact 2006 tax year returns. Among those impacting the largest groups of taxpayers are:

- Start of the extended "kiddie tax" under which a child's income is taxed at a parent's tax rate, under age 18 (up from age 14 and applied retroactively from January 1, 2006);
- Start of the hybrid vehicle credit available to purchasers, along with its reduction once a manufacturer sells more than 60,000 units (which is already the case for Toyota hybrids starting October 1, 2006);
- Start of the residential energy credits of \$500 for residential energy improvements, \$2,000 for solar equipment and \$500 for fuel cells per half kilowatt capacity, restricted to 2006 and 2007 only;
- Start of strict limitations on the quality of clothing and household items that are entitled to a charitable deduction, beginning August 17, 2006;
- Start of allowing direct, tax-free charitable contributions from IRAs for those 70-1/2 and older, for 2006 and 2007 only.

2007 Opportunities and Pitfalls

Many tax law changes are already set to begin in 2007, even before new tax legislation in 2007 that will likely produce still more changes. Here are two of the major ones:

- Starting in 2007, cash donations of any size must be backed up by paperwork that includes either a cancelled check or a written note from the charity indicating amount, date and the name of the charity;
- For 2006 and 2007, you may make a combined contribution of up to \$4,000 to your Roth and traditional IRAs. This amount increases to \$5,000 starting in

QuickBooks® Consultant's Conference

Our NSBN members of the QuickBooks ProAdvisor® Program, Robin Brock, Olivia Chaparro, Eliza Minassian and Josephine Rosario, attended the four-day 2006 Sleeter Group QuickBooks Consultant's Conference in November. Topics included updates to the 2007 version of QuickBooks, software add-ons, and the increased capabilities of QuickBooks, including the Enterprise Solutions version and QuickBooks Point of Sale.

For any QuickBooks® questions, please contact Josephine Rosario at jmr@nsbn.com or (310) 288-4266.

Dear Clients and Friends of NSBN: Do we have your current email address? This is useful for us to send you timely updates and other information. Please let us know! Send an email to: dmt@nsbn.com, and include your name and phone number. Thank you for helping us serve you better!

2008. In addition, if you are at least 50 years old before the end of the year, you may make an additional "catch-up" contribution of \$1,000. Contributions for both traditional and Roth IRAs can be made until the due date of your return. For 2006 returns, this date is April 16, 2007.

Also noteworthy, starting in 2010 there will be no maximum income level to restrict conversion of regular IRAs into Roth IRAs. Maximizing that opportunity, however, can begin immediately for those taxpayers presently over that limit. This strategy calls for making annual contributions to a nondeductible IRA that can then be converted into a Roth IRA in 2010 when the income cap is lifted.

Alternative Minimum Tax (AMT)

The AMT was designed to ensure that wealthy taxpayers were not able to escape taxation by exploiting deductions. However, the AMT has not been appropriately indexed for inflation, which means that it affects a growing number of taxpayers every year. 2006 and 2007 will prove to be "record years" for the IRS's collection of AMT.

California Tax Law Changes

During 2006, California has enacted several new laws that are noteworthy:

- New Dissolution Procedures for Corporations, LLCs, LPs, and LLPs – For taxable years beginning on or after January 1, 2006, corporations, LLCs, LPs, and LLPs no longer must obtain a Tax Clearance Certificate from the Franchise Tax Board (FTB) upon termination. In addition, as of September 29, 2006, if certain requirements are met, the FTB will no longer assess these business entities or limited partnerships the \$800 minimum franchise tax or the \$800 annual tax for the year after the business closes its doors. This change greatly simplifies the dissolution process and allows business entities more time to complete the steps necessary to formally dissolve.



- Real Estate Withholding – For sales and dispositions of California real estate occurring on or after January 1, 2007, a seller may elect to compute the required withholding tax based upon the reportable gain. Specifically, the amount of tax to be withheld is the maximum tax rate multiplied by the reportable gain – 9.3% for individuals, 8.84% for corporations and 1.5% for S-corporations. In addition, the seller must certify the alternative withholding amount to the buyer or the escrow agent, under the penalty of perjury.

- Registered Domestic Partners Must File as "Married" Beginning in 2007 – For taxable years beginning on or after January 1, 2007, Registered Domestic Partners (RDPs) in California will be required to file as "Married" for **California income tax purposes ONLY**. Federal law does not recognize this status and, therefore, prohibits RDPs from filing as "Married." Consequently, each partner will have to file as Single or Head of Household for Federal income tax purposes. This will definitely create a lot of confusion for those impacted by this law.

As you can see, year-end tax planning, coupled with the various Federal and California law changes, can be quite complicated. If you would like more information about how various tax law changes affect you and/or your business, please do not hesitate to call.

Barbara Kogen may be reached at bck@nsbn.com or (310) 288-4282.

Payroll Tax Update 2007

Payroll Tax Rates for 2007 Payroll Checks Issued After December 31, 2006

	Tax Rate	Wage Ceiling	Maximum Amount
Federal			
Employee FICA: Social Security Tax Medicare Tax	6.20% 1.45%	\$97,500.00 None	\$6,045.00 Unlimited
Employer FICA	Same as employee	Same as employee	Same as employee
Self-employed: Social Security Tax Medicare Tax	12.40% 2.90%	\$97,500.00 None	\$12,090.00 Unlimited
Unemployment Insurance(net)	0.80%	\$7,000.00	\$56.00
State			
Disability Insurance	0.60%	\$83,389.00	\$500.33
Unemployment Insurance	Varies	\$7,000.00	Varies



It's Never Too Late, Or Too Early, To Save For Retirement

By **Kurt Kilwein, CPA, Senior Manager**

One of the most important tools to help ensure a comfortable and secure future is to maximize contributions to available retirement plans. Most plans allow a person to put aside a portion of earned pre-tax income and do not require tax payments on the funds until the money is withdrawn, hopefully many years in the future. Some plans even allow people age 50 and older to contribute an additional amount to "catch-up" on their savings plan. The contribution limits and calendar year deadlines are found below.

Self-employed people and other small business owners have a seemingly baffling variety of plans from which to choose. In addition to the 401(k) and the IRA, the most popular include the SEP-IRA, the Profit Sharing Plan, and the Defined Benefit Plan.

401(k) Plans – Named for an Internal Revenue Code Section

- Employees can contribute a portion of their salary on a pre-tax basis
- Employers often contribute to the plan by matching a certain percentage of the employee's contributions

Individual Retirement Account or IRA

- Restricted by certain factors such as income limits
- May be possible to fund an account for a non-working spouse

Roth IRA and Roth 401(k)

- Operate like the non-Roth versions
- Contributions are not deductible, but withdrawals should be tax free

- They don't save tax now, but could potentially save a much larger amount of tax when retirement arrives

Simplified Employee Pension IRA, or SEP-IRA

- Easy to set up and administer

Profit Sharing Plan

- More complex to set up and administer
- Contributions are discretionary

Defined Benefit Plan - The "Traditional" Pension Plan

- Most complex to set up and administer
- Contributions may be mandatory
- An actuary determines the contributions, which can be substantially higher than the amount allowed under other plans
- May require contributions to be paid as quarterly installments
- Takes longer than other plans to establish, so don't wait until late December

Employees typically have fewer available options than the self-employed because most of their retirement plans are offered by their employers. The most common plans available to employees are the 401(k) and the IRA.

Retirement planning is complicated, with many requirements and restrictions. Additional plans may be useful which we did not cover in this article. Selecting and funding the right plan can help make that comfortable retirement a reality, and NSBN can help select the most appropriate plan for you.

<u>Plan Type</u>	<u>Normal Limit</u>	<u>50 and Over Limit</u>	<u>Set-Up Deadline</u>	<u>Funding Deadline</u>
401(k)	\$15,000	\$20,000	Varies	Varies
IRA	\$ 4,000	\$ 5,000	4/16/2007	4/16/2007
SEP-IRA	\$44,000*	\$44,000*	10/15/2007**	10/15/2007**
Profit Sharing Plan	\$44,000*	\$44,000*	12/31/2006	10/15/2007**
Defined Benefit Plan	Varies	Varies	12/31/2006	Varies

* – or less, with a maximum of 25% of compensation for employees, or 20% of net self-employment income for the self-employed

** – by tax return filing or extension date

Kurt Kilwein may be reached at kjk@nsbn.com or (310) 288-4240.



NSBN GIVES BACK

◀ NSBN's 14th Annual Golf Tournament a Big Success



Top: Eddie Bauch, NSBN Partner
Bottom Left: Golf Clinic
Bottom Right: Ron Cohen, CEO of UCP, with Steve Asher, NSBN Partner



The beautiful Robinson Ranch golf course was once again home to NSBN's Annual Golf Tournament on November 2nd. Co-sponsored by EastWest Bank, the tournament raised funds for United Cerebral Palsy (UCP), whose mission is to advance the independence, productivity and full citizenship of people with disabilities.

Our proud winners of the three flights this year were:
 • **1ST PLACE:** Eddie Bauch, Joe Seedman, Harlan Gibbs, Mitch Dunitz; Andy Besser, Aaron Bregman, Don Lavi, Pat Vastano; Dennis Ayers, Mary Ayers, Fernando Gonzales, Michael Tsparian
 • **2nd PLACE:** Steve Asher, Hal Barlow, Pierre Rodnunsky, Art

Santiago; Kerry Turner, David Stanley, Sandy Singer, Bruce Isaacs; Mark Lebowitz, Elliott Mahn, Joel Saltzburg, Adam Stein

• **3rd PLACE:** Roger Dense, Jeff Kleinman, B. Randeem, S. Rosselli; Bill Esensten, Tom Esensten, Robert Esensten, Richard Esensten; David Ajemian, Abel Montanez, Barry Stern, Genaro Calvadillas

Other sponsors for this event were Goldrich & Kest and Wyatt Earp-Olympic Capital. For further information about future golf tournaments, additional sponsorship opportunities or donations to UCP, please contact Steve Asher at 310-288-4277.

NSBN - Proud Tabulators of the 2006 LA Stage Alliance Ovation Awards ▶

For the second year, NSBN was the official tabulator for Los Angeles' only peer-judged theatre awards, the LA Stage Alliance Ovation Awards. Rated as "the highest-profile contest for local theatre" by the *L.A. Times*, the 2006 Ovation Awards was held on November 13th at the Orpheum Theatre, with actor Neil Patrick Harris hosting. NSBN Managing Partner Ken Miles and staff Eric Kuo and Shaun Wright were introduced onstage. Check out the winners at www.lastagealliance.com.



Above: "The envelope, please!"
 At left: NSBN staff left to right: Josephine Rosario, Thomas Ketner, Ramona Rabbani, Tammy Mescobi, Sue Zisko, Shaun Wright, Eric Kuo & Ken Miles



NSBN beach cleanup crew

▶ NSBN Participates in Coastal Cleanup Day

On September 16th, NSBN participated in the worldwide Coastal Cleanup Day, organized locally by Heal the Bay. An estimated 500,000 participants from 88 countries, and more than 9,500 volunteers in Los Angeles County picked up more than 66,000 pounds of trash and 3,000 pounds of recyclables from 66 beaches, rivers, and creeks. Our volunteers from NSBN helped clean Will Rogers State Beach in Pacific Palisades, collecting 50 pounds of trash!

NSBN Runs in the Nike Run Hit Remix

NSBN staff were among the 10,000 participants in the Nike Run Hit Remix in Los Angeles on September 24th. After benefiting from a free six-week training program, runners raced a five mile course, energized by live bands at every mile and culminating in a concert with De La Soul at the finish line. Runners had the opportunity to try out several Nike products during the training, including a shoe with an iPod that announced their speed. The event benefited NikeGO, a youth running program, and LA Leggers, a non-profit marathon training program.

NSBN Contributes to Special Olympics Equestrian Event ▶

NSBN volunteers and contributors helped make the Special Olympics Equestrian Event on September 17th a resounding success. Sponsored by the Kiwanis Club of Warner Center, the friendly competition was held at the Hansen Dam Equestrian Center. A new record was set for money raised from the sale of raffle tickets, with seventeen winners from NSBN! Thanks to all of the donations, the riding groups involved will have funds to keep their programs going this year.



Special Olympics equestrienne



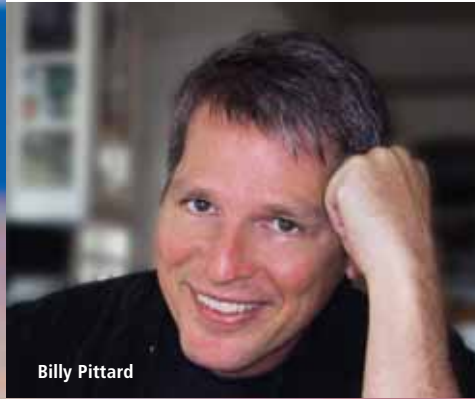
Walkers (L to R): Liza, Elysse (daughter of Sue Zisko, NSBN Director of Marketing) & Gia with their doctor, Kevin Kaiserman, M.D.

◀ NSBN and JDRF Walk to Cure Diabetes

On October 22nd, NSBN participated in the Juvenile Diabetes Research Foundation (JDRF) 5K Walk to Cure Diabetes, along with over 12,000 people at Dodger Stadium, where our walk ended at the Dodgers' home plate. Type 1 Diabetes touches many of us at NSBN - some of us live with this disease, as well as being parents and spouses of those with Type 1 - and we are proud to be part of the search for a cure.



Debra Bowen



Billy Pittard



Madelyn Pugh Davis

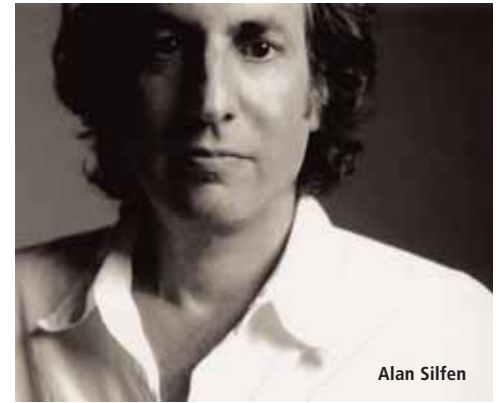
Clients In The News

Congratulations to **Debra Bowen** on winning the election for California Secretary of State. Debra is currently serving her second term as a California State Senator. She previously served for six years in the 53rd Assembly District.

Billy Pittard has invented a new interactive DVD system called ZOOOOS. The system transforms ordinary DVD players into interactive playgrounds of fun and learning for children three years and older. The system allows children to play, explore and learn with great pro-

grams like San Diego Zoo, Thomas & Friends, Bob the Builder, Spider-Man and more. Check it out at www.zooooos.com.

Kudos to **Madelyn Pugh Davis** for the publication of her article, "Lucy and Ethel, Behind the Scenes," in the August 2006 issue of "O" *The Oprah Magazine*. Madelyn's credits include being one of television's first women writers for *I Love Lucy* (along with her writing partner Bob Carroll, Jr.). She recently published a book, *Laughing with Lucy: My Life with America's Leading Lady of Comedy*.



Alan Silfen

Alan Silfen, photographer to the stars and NSBN, recently completed shoots with Will Smith, Mary J. Blige, Black Eyed Peas, Nicole Richie, The Pussycat Dolls and Enrique Iglesias.

Thoughts to Ponder for 2007

- Do it your way. Only dead fish swim with the stream all the time. – *Linda Ellerbee*
- My life is my message. – *Mohandas K. Gandhi*
- A bit of perfume always clings to the hand that gives the rose. – *Chinese proverb*
- Too often we enjoy the comfort of opinion without the discomfort of thought. – *John F. Kennedy*
- Life is like a ten-speed bike. Most of us have gears we never use. – *Charles Schulz*
- Laughter is inner jogging. – *Norman Cousins*
- The average pencil is seven inches long, with just a half-inch eraser – in case you thought optimism was dead. – *Robert Brault*
- The future belongs to those who believe in their dreams. – *Eleanor Roosevelt*
- Someone is enjoying shade today because someone planted a tree a long time ago. – *Warren Buffet*
- It's the life in your years, not the years in your life, that counts. – *Abraham Lincoln*
- Cheers to a new year and another chance for us to get it right. – *Oprah Winfrey*

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Tammy Mescobi

The matters highlighted in this newsletter are presented in general terms and cannot be applied without consideration of all circumstances. NSBN will provide additional details upon request and will be pleased to discuss with our clients or their attorneys the possible effects of these matters in specific situations.

Any tax information or written tax advice contained herein (including any attachments) is not intended to be and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. (The foregoing legend has been affixed pursuant to U.S. Treasury regulations governing tax practice.)

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