Kakimoto & Nagashima LLP
Certified Public Accountants
Consultants

NEWSLETTER

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Any Questions?

We are committed to providing our clients with quality and excellent services. If you have any questions or comments, please let us know by either e-mail or phone. Our company profile is available on the internet at:

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Summary of Articles

The FASB Officially Launches the FASB Accounting Standards Codification™

On July 1, 2009, the FASB launched its Accounting Standards Codification™ ("FASB ASC") as the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("U.S. GAAP"). The FASB ASC is the result of a 5 year project to develop a single authoritative source for U.S. GAAP which would be more user-friendly and up-to-date for released results of standard-setting activity. The FASB ASC does not change U.S. GAAP but reorganizes the multitude of U.S. GAAP pronouncements into a new structure.

Tax Incentives and Assistance for 2009

Business taxpayers as well as individual taxpayers have all been waiting for Congress to provide some relief for those of us struggling to survive in this economic downturn. During 2009, Congress enacted the Consumer Assistance to Recycle and Save Act (CARS) and the American Recovery and Reinvestment Act (ARRA), providing incentives and assistance for businesses and individuals in a movement towards a turnaround in the economy.

Let's Meet!

Bob is in Los Angeles and Hanako is in Tokyo. They have a priority deadline that is due next week and they need to immediately discuss their project face-to-face in order to complete. How do they do it without spending the time it takes to travel to foreign countries?

The FASB Accounting Standards Codification™

In June 2009, the Financial Accounting Standards Board ("FASB") approved the Accounting Standards Codification™ ("FASB ASC") as the source of authoritative U.S. generally accepted accounting principles ("U.S. GAAP") for nongovernmental entities. Statement of Financial Accounting Standards ("SFAS") No. 168, "*The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*" replaces SFAS No. 162 and essentially reduces U.S. GAAP hierarchy into two levels: (1) FASB ASC – authoritative and (2) nonauthoritative (not stated in the FASB ASC). All guidance contained in the FASB ASC will carry an equal level of authority. The FASB ASC will be effective for financial statements issued for interim and annual periods ending after September 15, 2009. Specific U.S. GAAP pronouncement references made in financial statements issued for periods after the effective date will need to be updated to refer to the FASB ASC.

The FASB ASC is a restructuring of accounting and reporting standards which had been issued by different standard setters; one of the primary objectives of this project was to organize the sources of U.S. GAAP so that access by the user could be performed on a more streamlined level. Other goals of the FASB ASC project:

- lessen the risk of noncompliance by having one authoritative source
- real time updates as new guidance is issued
- reduce the time it takes to research accounting inquiries
- assist in standard setting future convergence efforts

The FASB ASC excludes governmental accounting standards. The following pronouncements are included in the FASB ASC: FASB - Statements, Interpretations, Technical Bulletins, Staff Positions, Staff Implementation Guides; EITF - Abstracts, Appendix D Topics; APB Opinions; Accounting Research Bulletins; Accounting Interpretations; AICPA - Statements of Positions, Audit/Accounting Guides (incremental accounting guidance only), Practice Bulletins. To increase the utility of the FASB ASC for public companies, relevant portions of authoritative/administrative content and guidance issued by the SEC will be included for reference purposes. The FASB expects that the FASB ASC will not change U.S. GAAP except for certain software revenue recognition accounting treatment due to the incorporation of AICPA TIS Section 5100 (paragraphs 38 - 76) within the new codification.

The FASB ASC is organized into approximately 90 topics. Topics are broken down into the following main areas:

- General Principles – topics relate to broad conceptual matters
- Presentation – topics relate only to presentation matters and do not deal with recognition/derecognition and measurement subjects
- Financial Statement Accounts – sorted by financial statement order (assets, liabilities, etc.)
- Broad Transactions – generally transaction-oriented and relate to multiple financial statement accounts
- Industries – accounting for industry related activities

Topics are further organized into subtopics, sections and paragraphs. Citation for accounting matters would follow this structure: TTT-SS-XX-PP, where TTT = topic, SS = subtopic, XX = section, PP = paragraph. As an example, "FASB ASC 360-10-50-2" would refer to the topic "Property, plant and equipment", with the subtopic "Overall", section "Disclosure" and paragraph "Impairment of long-lived assets classified as held and used".

Accounting Standards Updates ("ASU") will be issued to update the FASB ASC. Each ASU will not be considered authoritative in its own right and will only serve to update the FASB ASC. ASUs are intended to provide background information regarding guidance and the basis for conclusions concerning the change to the FASB ASC.

The FASB ASC is currently accessible online at asc.fasb.org. A "basic" view is free; a "professional" view which includes text searching and cross-referencing feature is available for a fee. Both the FASB ASC and AICPA websites carry information regarding the new codification including explanations and tutorials.

Please contact us, if you should have any questions regarding this area; we would be happy to discuss them with you.♦

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has never been previously occupied. The credit is claimed over three years in three equal installments beginning in the year the home was purchased. The credit is not required to be repaid, although, if the homebuyer does not reside in the new home for at least two years following the purchase date, the credit used to reduce tax must be repaid.

III: Premium Assistance for COBRA Benefits

The ARRA of 2009 addresses changes to health benefit provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Individuals who were involuntarily terminated from September 1, 2008 to December 31, 2009, and who were enrolled in their employers' health plan are able to continue their coverage by paying 35 percent of the insurance premium for up to nine months, or when the individual is eligible for other group health plan coverage, whichever is earlier. The former employers cover the balance of 65 percent but are entitled to a credit for that amount when they file their quarterly tax return. In other words, it is treated as payment on the employers' payroll tax return. The 65 percent credit will offset any tax due and any overpayment can be refunded or credited to next quarter's return.

IV: Net Operating Loss Carryback for Small Businesses

As part of the ARRA of 2009, a new provision allows small businesses to offset losses incurred in 2008 against income earned in the past five years, instead of the usual two year carryback. To qualify, the small business must have no more than an average of $15 million in gross receipts in a three-year period ending with the NOL tax year. This new provision could provide struggling small businesses with a quick infusion of cash to keep them from succumbing to the current economic downturn.

V: Energy Incentives for Businesses

There are three options for which businesses that place in service facilities that produce electricity from wind and some other renewable resources can choose from to fund the project. First, businesses can claim the production tax credit, which can provide up to a 2.1-cent credit per kilowatt-hour for electricity from renewable sources. Second, businesses can claim the energy investment tax credit, which may provide a 30 percent tax credit for investments in energy projects. An irrevocable election to claim the energy investment tax credit instead of the renewable electricity production tax credit can be made for qualified investments made in facilities placed in service after December 31, 2008. Third, instead of claiming either tax credit, businesses can claim a grant (30 percent of the investment) once the property is placed in service.

VI: Conclusion

Congress has enacted new laws in hopes of providing relief for struggling businesses and individuals. Numerous other recent beneficial tax provisions exist in addition to those discussed above. Kakimoto & Nagashima LLP is dedicated to ensuring that businesses and individuals take advantage of these tax benefits. Please contact us if you have questions regarding these afore-mentioned topics or any other benefits that may be available to you.♦

Tax Incentives and Assistance for 2009

It seems as if the economy is going at a non-stop pace downwards and many of us are wondering when it is going to turn around. Many people lost their jobs (which in many cases, was the only source of income for their families), stores that we remember as kids went out of business, and families lost their homes because they just couldn't make the mortgage payments. Congress enacted the CARS Act and the ARRA of 2009 in hopes of bringing about a turn-around in the economy.

I: "Cash for Clunkers"

President Obama recently signed the CARS Act (previously called "Cash for Clunkers") into law on June 24. Under this Act (Title XIII of the Supplemental Appropriations Act of 2009), the National Highway Traffic Safety Administration (NHTSA) established a voluntary program which authorizes the issuance of an electronic voucher ($3,500 or $4,500) to offset the purchase price or lease price of a new fuel efficient vehicle upon the surrender of an eligible trade-in vehicle, provided that certain criteria are met. One billion dollars have been allocated to the program. Dealers who wish to participate in the program must register and comply with the terms stated in Section 1302 of the Act. If the trade-in vehicle meets the requirements (i.e. is in drivable condition, has been continuously insured and owned for the year prior to trade in, been manufactured not earlier than 25 years before the date of trade in, and has a combined fuel economy value of less than or equal to 18 mpg), the dealer will offset the purchase price or lease price of the new fuel efficient vehicle by the incentive amount, and this amount will be issued to the dealer via electronic voucher.

The determination of the incentive amounts are summarized below:

Determination of Incentive Amounts					
What Type of New Vehicle Do You Want?	Combined MPG* of the New Vehicle Must Be…	Your Trade-In Vehicle Must Be…	Incentive Amount: If the Difference Between the New and Trade-In Vehicle Is…	The Incentive Is…	
Passenger Automobile ❖ All passenger cars	At least 22 MPG	Passenger car, Category 1 or 2 truck	4 - 9 MPG	$3,500	
			10 MPG or more		$4,500
Category 1 Truck: † ❖ All SUVs with GVWR <= 10,000 lbs ❖ Pickups with GVWR < 8,500 lbs and wheelbase <= 115 inches ❖ Passenger vans and cargo vans with GVWR < 8,500 lbs. and wheelbase <= 124 inches	At least 18 MPG	Passenger car, Category 1 or 2‡ truck	2 - 5 MPG	$3,500	
			5 MPG or more		$4,500

* MPG requirements are based on EPA's combined city/highway rating
† GVWR = Gross Vehicle Weight Rating
‡ Please see Consumer Assistance to Recycle and Save Act, Title XIII, §1302 for details on Category 2 and Category 3 trucks, which are vehicles with longer wheelbases and trucks with GVWR between 8,500 and 10,000 lbs.

Purchases and qualifying leases occurring between July 1, 2009 and November 1, 2009 are eligible. Only one voucher is allowed per person per automobile. Vouchers can be used in combination with other Federal, State or local incentives not under this program. The registered dealers are prohibited from charging the purchaser any additional fees associated with the use of the voucher. This Act only applies to the purchase or lease of new vehicles; used vehicles do not qualify under this program. Also, the suggested retail price of the new vehicle may not be more than $45,000.

As part of the requirements, registered dealers must agree not to sell, lease or exchange the trade-in vehicle for use as an automobile in the United States. The dealers must transfer the vehicle, including the engine block, to an entity that will ensure that it will be crushed or shredded.

For tax purposes, the voucher amount is not treated as gross income to the purchaser of the vehicle. However, the incentive is treated as income to the dealer. NHTSA will provide more details about the CARS program on or before July 24, 2009.

II: First-Time Homebuyer Credit Revamped

In hopes to assist in the economic recovery, Congress enacted the Housing and Economic Recovery Act of 2008 on July 30, 2008. Under Section 3011 of this Act, a first-time homebuyer credit may be taken against the tax liability of an individual who is a first-time home buyer of a principal residence in the United States. A summary of this credit was addressed in our October 2008 issue. Many taxpayers were reluctant to take this credit given the fact that it was an "interest-free loan" and had to be repaid.

The ARRA of 2009 made changes to the First-Time Homebuyer Credit. The July 1, 2009 deadline is extended to December 1, 2009 and the credit amount increased from $7,500 to $8,000. For first-time homebuyers who purchased or will purchase a home between December 31, 2008 and December 1, 2009, the credit no longer needs to be repaid as long as the home remains their principal residence for 36 months after the purchase date. For those homebuyers who purchased homes under the old law, the $7,500 credit was required to be repaid. The credit is phased out for taxpayers with income exceeding $75,000 for singles and $150,000 for joint filers and is completely phased out for income exceeding $95,000 and $170,000 for single and joint filers respectively.

California announced its own homebuyer credit early this year. Any homebuyer who purchased or will purchase a new home from March 1, 2009 to March 1, 2010 can claim a credit of five percent of the purchase price or $10,000, whichever is less. California allocated a budget of $100,000,000 to this tax credit and qualifying for the credit is on a first-come, first-served basis. Unlike the Federal credit, homebuyers don't have to be first-time homebuyers nor is the credit phased-out based on income. The new home must be a newly constructed home that

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Virtual Meetings

For some of us virtual meetings are a business reality. We dial in to conference calls, click in to web meetings and participate in videoconferences. With the recent global economic downturn, travel is down and virtual meetings are up.

What is it?
Online virtual meetings are real-time interactions that take place over the Internet using features such as audio and video, chat tools, and application sharing. Participants in virtual meetings use an application—such as WebEx or NetMeeting—to conduct meetings that are similar to videoconferences but with functionality such as electronic whiteboards and polling tools that make the technology increasingly appropriate for business or educational purposes. Although much of the technology that supports virtual meeting tools is not new, the underlying software and infrastructure have matured, allowing globalized businesses to benefit from real-time interaction for distant offices and off-site locations. Virtual meetings offer a way for multiple individuals residing at separate locations around the world to engage in fully interactive, online meetings to take part in training seminars or sales presentations.

Who is doing it?
Students use virtual meeting spaces for formal and informal study and to collaborate on group projects. Teachers or trainers use virtual meetings to apply key elements of face-to-face learning—including live audio and video and the ability to demonstrate applications in real time—to online learning, either to complement or replace asynchronous learning activities. Businesses are using virtual meeting spaces to allow colleagues in two (or more) distinct locations to work on team projects. Other businesses use it for a plethora of additional reasons, such as sales forecasts or blueprint changes, the possibilities are endless. In all cases, the technology allows distant groups to interact over the Web, work on shared topics, and build a sense of community even if the participants are thousands of miles away. Without the time and expense of travel, people across long distances can exchange information and data in the most efficient possible way.

How does it work?
Online virtual meeting applications use common browser plug-ins and connect through a hosting service, either local or remote. Most applications are platform-independent, allowing users on PCs and Macs and Linux machines to share identical functionality. At appointed times, participants log on to a Web site to join group sessions, participate in online office hours, or take part in other scheduled events. The application window includes a pane that lists current participants, a chat pane for written interaction, an audio/video pane, and a content window. The audio/video pane might only show the main presenter, or it can include other users if they have Webcams. Many applications use voice over Internet protocol (VoIP) for the audio segment, eliminating the need for a separate phone connection. The content pane shows applications from the presenter's desktop, which can include slides, text files, multimedia software or other material for a presentation. Presenters can be seen and heard in real time by session participants, who can communicate with one another through the chat pane, the audio and video, or tools such as a shared whiteboard. The presenter can respond to questions from participants, demonstrate applications, and share access to them in the content pane, as well as manage the layout of the environment. Sessions can be recorded and archived for later access.

What are the downsides?
As with any real-time event, time zone differences are a concern, one that becomes increasingly complex as the geographical range of participants expands. Connecting individuals in Canada and Mexico is straightforward, but linking salesmen in North America with customers in the Middle East, for example, is more complicated. Additionally, while technical problems are always potentially troublesome, in the case of virtual meetings they can be debilitating. Issues such as sound and video quality can be affected by network traffic, improper setup, and other technical parameters. Infrastructure differences among participants can also come into play, both in terms of local hardware and connection speeds. Other factors to consider are the reduced control over the "room" of participants. Even though some tools allow users to electronically indicate nonverbal gestures, such as raising a hand to ask a question or make a comment, virtual meetings are an approximation of a shared physical space. As such, participation mixes face-to-face and online practices.

What are the benefits?
Local users benefit from the increased access to remote content that virtual meetings provide. Online meeting tools can also save the time it takes to travel across the nation or across the globe to attend a meeting, adding flexibility to everyone's schedules. As everyone becomes more comfortable with these environments and their potential, practices will evolve leading to more sophisticated interactions. For example, having live video of all participants may add to the "in-person" effect. Overall, online meetings are a great way for anyone across the globe to collaborate and to share their ideas and knowledge.

Although a virtual meeting cannot and never will replace the comfort of a face-to-face meeting, the benefits can sometimes outweigh the drawbacks. With the ever increasing cost and time it takes to travel perhaps it is the only alternative. Let us know if this solution can work for you.♦

Questions or comments about this issue or inquiries about our newsletter by e-mail subscription service can be sent to:

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