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Where Success Begins<sup>SM</sup>

### WS+B WELCOMES NEW SHAREHOLDER

WS+B is pleased to announce the addition of Thomas Parrillo, CPA, as one of our newest shareholders. He joins our firm with over 34 years of diversified public accounting experience in both the private and public sector and is based in our Livingston office.

Tom's area of expertise include public offerings and SEC filings as well as audits of international companies. He has also served numerous clients in the retail, wholesale, manufacturing and service industries.

A graduate of St. Bernard College, Culman, Alabama, with a bachelor of science degree in accounting, Tom is a licensed CPA in the states of New Jersey, New York and Massachusetts. He is also a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants.

Tom and his family live in Roseland, NJ. He enjoys boating and sailing in his leisure time.

*"Enthusiasm releases the drive to carry you over obstacles and adds significance to all you do." — Norman Vincent Peale*

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Fall 2002

### THE LEAPFROG GROUP — Focused On Saving Lives

By Jay Sexton, CPA/PFS, CFP<sup>TM</sup>

Did you know that medical errors are a leading cause of death in America? There are more deaths in hospitals each year from preventable medical mistakes than there are from vehicle accidents, breast cancer or AIDS. According to the Institute of Medicine, nearly 98,000 Americans die each year from medical mistakes they experience during hospitalization.

In response to this problem, The Leapfrog Group is taking action. Founded by The Business Roundtable, a national association of Fortune 500 CEOs, Leapfrog is a national coalition of more than 100 health care benefit providers (public and private) focused on reducing the number of patients harmed or killed by preventable medical errors.

The Leapfrog Group supports the adoption of three proven standards to prevent medical mistakes in hospitals:

- Use of computerized prescription systems (computer physician order entry)
- Hospital referrals to other hospitals that have the best results or extensive experience in treating high-risk conditions (evidence-based hospital referral)
- Staffing Intensive Care Units (ICUs) with specialists trained in critical care

The Health Care Payers Coalition of New Jersey (HCPC) has been chosen to lead the regional "rollout" activities in New Jersey. The coalition is a not-for-profit alliance of labor and management benefit plans (mostly self-insured and self-administered) whose member groups provide health care for nearly one million covered lives in New Jersey.

The initial "rollout" activities for Leapfrog in New Jersey will be to urge urban, acute care hospitals to voluntarily complete an on-line survey to share their progress towards implementing the three proven patient safety practices and to recognize those hospitals that have successfully implemented these practices.

Research indicates that the three safety improvements alone could save up to 58,300 lives a year and prevent 522,000 medication errors. That's a lot of lives. For more information, visit The Leapfrog Group Web site at [www.leapfroggroup.org](http://www.leapfroggroup.org).

#### ALSO IN THIS ISSUE:

- The US Government Gives... NJ Government Takes
- New Shareholder Welcomed

**SHE SAID: "THE (U.S.) GOVERNMENT GIVETH. . ."*****The Job Creation and Worker Assistance Act of 2002****Summary by Kimberlee S. Phelan, CPA, MBA, Tax Shareholder*

On March 9, 2002, President Bush signed the Job Creation and Worker Assistance Act of 2002 (2002 Act) into law. The 2002 Act is a combination of business economic stimulus provisions, relief for lower-Manhattan businesses affected by the 9/11 terrorist attacks, a 13-week extension of unemployment benefits, extensions for expired or soon-to-expire tax breaks, and technical corrections.

**30% First Year Depreciation**

The 30% first year depreciation will apply to original use property acquired and placed into service after September 10, 2001, and before September 11, 2004. The MACRS property must have a life of 20 years or less. Section 179 depreciation expenses are still allowed, and must be applied before the new 30% additional depreciation. As with Section 179, the basis of the property must be reduced by the 30% additional depreciation. This is done before the "normal" first year depreciation is taken.

The new 30% first year depreciation is not available for property that must be depreciated under the "alternative depreciation system"; listed property (autos) that isn't used more than 50% for business; and "New York Liberty Zone" qualified leasehold improvement property.

For an auto that is Qualified Property (see above) placed into service in 2001 and 2002 the depreciation deduction is increased from \$ 3,060 to \$7,660.

**NOL Carrybacks and AMT Utilization**

The NOL carryback period has been temporarily increased from two years to five years. The additional carryback period can be waived to leave the carryback period at two years. The 20-year carryforward period remains.

In addition there is a temporary waiver of the limitation of the use of the NOL against the Alternative Minimum Tax. Instead of using only 90% of the NOL to offset minimum taxable income, 100% can be used. This is only for years 2001 and 2002.

Additional provisions of the 2002 Act include: relief for lower Manhattan businesses impacted by the 9/11 terrorist attacks, the ability to use personal nonrefundable credits to offset both regular and AMT liability (the work opportunity tax credit and the welfare to work credit), and miscellaneous technical corrections.

These are only the highlights of the business economic stimulus provisions of the Act. The rules can be used now, and may affect your 2001 business tax returns due in the early Fall. If you have any questions regarding any aspect of the 2002 U.S. Act, please contact any member of the Tax Department.

**HE SAID: "THE (NJ) GOVERNMENT TAKETH AWAY. . ."*****The New Jersey Business Tax Reform Act of 2002 — How it Affects You and Your Business****By Michael H. Hoffman, CPA, MSFP, Tax Manager*

On July 2, 2002, the NJ state Senate approved by a 21-17 vote, and Governor McGreevey signed, a huge overhaul of the state's business tax. These new provisions, effective January 1, 2002, affect many different aspects of the NJ business tax system.

**Alternative Minimum Assessment (AMA)**

All corporations subject to NJ's corporate business tax (CBT) will be required to also compute the AMA and pay the greater of the two. Corporations with either gross receipts of \$2 million or gross profits of \$1 million are subject to the AMA assessment. The AMA sunsets for periods beginning after June 30, 2006.

All out-of-state corporations, including those not previously subject to CBT, will be required to calculate and pay AMA. Unlike NJ corporations, after June 30, 2006, out-of-state companies will continue to calculate and pay the AMA. S-Corporations, professional corporations, and unincorporated businesses are exempt from AMA.

**Other Key Provisions**

- The CBT minimum tax has been increased from \$210 to \$500 (\$2,000 minimum tax for companies with payroll equal to or greater than \$5 million).
- Use of net operating losses will be suspended for years 2002 and 2003. The seven-year carryforward will be extended to adjust for these two years.
- The phase-out of the S-Corporation tax has been suspended until 2005. Rates will remain the same as in 2001.
- The 30% bonus depreciation allowed for federal purposes will not be allowed for NJ. New Jersey will continue with the methodology in place before the new federal law.
- A \$150 per-owner processing fee will be assessed to each partner/member of a partnership, limited liability company, or limited liability partnership having more than two owners.
- Pass-through entities with nonresident partners/members will be required to make payments on behalf of the partner/member.
- There will be no deduction for interest paid to related parties.
- No dividends-received deduction is allowed when the taxpayer owns less than 50% of the payor corporation
- The methodology for the sales apportionment factor has changed. The denominator will now include only sales from states where the corporation files a corporate tax return.
- On the positive side, the CBT rate will be lowered from 7.5% to 6.5% for corporations with less than \$50,000 of taxable income.
- A \$150 per professional fee will be assessed for each licensed professional in a professional corporation.

This is only a brief summary of a very encompassing bill. Please contact our Tax Department with further questions.

The Journal is published by WithumSmith+Brown, Certified Public Accountants and Consultants, for clients and friends of the firm. The information contained in this publication is for informational purposes and should not be acted upon without professional advice. Please contact any one of our offices with your inquiries.  
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