

3 Team Member News

5 CSB Believes in the Chamber. Do You?

7 Healthcare Reform Seminar



Beyond *the* Numbers

A Crow Shields Bailey PC News Publication

Summer 2013



CLIENT SPOTLIGHT



Steiner Shipyard, Inc. is a small family-owned and operated shipyard with many of the same capabilities as that of larger facilities. Located in Bayou La Batre, Alabama, Steiner builds all types of new construction steel or aluminum vessels, from passenger/cargo ferries, in-land push boats and offshore supply vessels to commercial fishing trawlers, which are delivered all over the world.

A full service shipyard, Steiner also has repair and conversion capabilities utilizing their on-site 440-ton Marine Travelift, which provides the most efficient means of vessel haul out today. Other on-site abilities include the computerized cutting of steel and aluminum plate, a totally enclosed Wheel-a-brator for blasting and painting, and shearing and braking.

From its beginnings, Steiner strived to provide unyielding customer service and set high standards for quality construction. Now in its third generation of family ownership, the Company enjoys a world-wide reputation for quality work, on-time delivery and the value it places on satisfying its customers.

This reputation is clearly evident by its many repeat customers, both domestic and international. Steiner has delivered boats around the United States including Hawaii, Alaska, and the East Coast. And its foreign business spans the globe, with customers in India, Japan, Suriname, French Guiana, Honduras, American Samoa, Guatemala, Madagascar, Columbia, Brazil and the Middle East.

A few of the Company's regular customers are Sahlman Seafood, Inc. for which it has built 179 seventy-five foot steel shrimp trawlers; Seacor Marine which has received seven offshore supply vessels, ranging in size from 180 to 220 feet in length; State of North Carolina Department of Transportation for which Steiner built

five new construction passenger/vehicle ferries from 149 to 250 feet in length; and Southern Towing Company which bought four Steiner-built 120-foot Z-drive push boats and has four more on order. But of all the vessels built at Steiner, perhaps the most recognizable project was the **Black Pearl** which it constructed for the blockbuster movie "Pirates of the Caribbean".



The Black Pearl constructed by Steiner Shipyard, Inc.

Newsletter Contributors

- Lott Brigham
- Sherrri Deighton
- Deborah Fisher
- Colleen Macon
- Gina McKellar
- John Shields
- Jenna Summersell

Our Vision

Our firm's objective is to maximize our clients' wealth. We strive to be the premier accounting and consulting firm in our area by offering a complete range of quality services to our clients. We will employ only the best people and ensure outstanding training and long-term career opportunities.

Team Members

Audit Team

Alex Martin alexm@csbcpa.com
Colleen Keleher colleenk@csbcpa.com
Colleen Macon colleenm@csbcpa.com
Gray McDermott graym@csbcpa.com
Hope Hickman hopeh@csbcpa.com
Joey Bailey joeyb@csbcpa.com
Katie O'Connor katieo@csbcpa.com
Lott Brigham lottb@csbcpa.com
Vivian Jo Chateau vivianjoc@csbcpa.com

Bookkeeping Team

Jeannie Biggs jeannieb@csbcpa.com
La Nette Caskey lanettec@csbcpa.com
Lisa Gonzalez lisag@csbcpa.com

Business Development Team

Kenny Crow kennyc@csbcpa.com

Tax Team

Carrie Russell carrier@csbcpa.com
Debbie Schoppert debbies@csbcpa.com
Gina McKellar ginam@csbcpa.com
John Shields johns@csbcpa.com
Kristi Daughtery kristid@csbcpa.com
Melissa Brock melissal@csbcpa.com
Morgan Prestwood morganp@csbcpa.com
Nikki Allen nikkia@csbcpa.com
Ryan Damrich ryand@csbcpa.com
Sherrri Deighton sherrid@csbcpa.com
Tim Adams tima@csbcpa.com

Firm Administration

Barb Frerman barbf@csbcpa.com
Deborah Fisher deborahf@csbcpa.com

Support Team

Diana Moore dianam@csbcpa.com
Dolores Breneman doloresb@csbcpa.com
Jenna Summersell jennas@csbcpa.com
Jennifer Brothers jenniferb@csbcpa.com
Shirley Sheffield shirleys@csbcpa.com

Mobile Office

(251) 343.1012 • Toll Free (800) 347.8583 • Fax (251) 343.1294

Gulf Shores Office

(251) 968.4337 • Toll Free (800) 347.8583 • Fax (251) 968.8995

Visit our website at: CSBcpa.com

Continued From Page 1

President Russell Steiner says his twenty-year relationship with our firm has been invaluable. "CSB focuses on client service in much the same way we do. Without their guidance we could not produce the financial information that is required for our bankers, insurance providers, government regulators and others. We really appreciate having them as our accountants and trusted professional advisors."



Learn more about Steiner Shipyard, Inc. from their website at www.steinershipyard.com or feel free to call them at 251-824-4143.



Visit our website at CSBcpa.com



Facebook.com/CSBCPA



Linkedin.com/company/crow-shields-bailey-pc

Team Member **news**



Mitchell Adams

Mitchell Adams, son of Tim & Gretchen, played Tee Ball this Spring for the Matthews Park Tee Ball Red Sox. Mitch is 5.

Nikki Calato Allen & Adron Allen, Jr. were married January 26, 2013 at St. Aloysius Catholic Church in Baton Rouge, Louisiana.

Following the wedding, they honeymooned in Ocho Rios, Jamaica. After returning, Nikki moved back to Mobile and returned to CSB as a Senior Accountant on the Tax Team. She is glad to be back with her CSB family and is enjoying married life with her new husband!



Nikki Calato Allen and Adron Allen, Jr.



Sherri, Tim and Joe Deighton

P. Murray Math Award. He also received top honor awards for the highest GPA at St. Ignatius (the Msgr. Wall Scholarship Award) and the highest score on the McGill-Toolen freshman placement test (the Henry Reimer Scholarship Award). Congratulations Tim!



Lott Brigham and Mac Conwell

Team MacAttack, consisting of Lott Brigham and his cousin Mac Conwell, took second overall in CMSA's Dash and Splash relay.



Jo with nephew, Dr. Michael Ludwig, and his daughter Finleigh

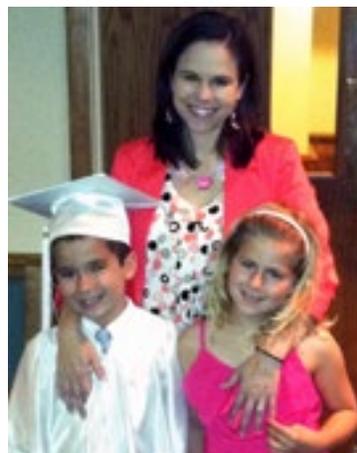
Jo Chateau's nephew, Dr. Michael Ludwig, completed the requirements for his PhD. in Microbiology/Cellular Molecular Biology at the UAB Medical Research Center in Birmingham. He will now work in Pancreatic Cancer Research at Cold Springs Harbor Laboratory in Long Island, NY.



Louise Crow
Photo credit: AL.com

Louise Crow, daughter of Kenny and Marty, is serving as president-elect of the Public Relations Society of America, Alabama Chapter.

Tim Deighton, son of Sherri and Joe, graduated from St. Ignatius Catholic School on May 23. He received awards for straight A's all four quarters, the St. John the Apostle Sportsmanship Award and the Janet



From left, Matthew, Melissa and Haley LaFrenier

business tax return process at CSB and Kristi won the award for her great ideas as the Director of Fun for the firm.

Melissa LaFrenier and Jeremy Brock were married on June 14. Matthew LaFrenier, son of Melissa, graduated from K-5 at Knollwood Christian School. He will be attending Elsanor Elementary for first grade in the fall. Melissa and her daughter Haley are proud of Matthew.



Ryan and Mandy rehearsal dinner at Country Club of Mobile

Mandy Britt and Ryan Damrich were married on April 20, 2013 at St. Mary's Church in Mobile. They honeymooned in Punta Cana, Dominican Republic.

Kristi Daughtery and Ryan Damrich each won the Firm Project Award during the ASCPA Leadership Academy, Class Two. Ryan won the award for his leadership in the paperless



Bryce Martinez

Bryce Martinez (granddaughter of La Nette Caskey) had her dance recital on May 11, 2013. Her hip-hop performance was to "Party Rock." She is a dancer at Broadway South.

Melissa Moore, daughter of Diana Moore, graduated from Auburn University on December 8, 2012. From the Department of Education, she



Melissa Moore

received a Bachelor of Science degree in General Science and is currently teaching at South Girard Middle School in Phenix City, Alabama.

Sarah O'Connor, daughter of Katie and Guy, recently graduated with



Sarah O'Connor

honors from 8th grade at Christ the King Catholic School and will be attending McGill Toolen Catholic High School in the fall.

Nicholas O'Connor, son of Katie and Guy, was inducted into the National Honor



Nicholas O'Connor

Society at McGill Toolen Catholic High School in April. He will be a senior in the fall.

Amy Schoppert, daughter of Debbie and Scott, graduated from Murphy High School in May. She will be taking time off and working for a year before attending college. Her parents are very proud of her.



From left, Debbie, Amy and Scott Schoppert



Anna Mary Shields

Anna Mary Shields, daughter of John and Therese, represented CSB in the Ronald McDonald House of Mobile fundraiser "Little Black Dress."

CSB planned a night out of laser tag and bowling recently. Each team bowled two games. Team Kenny, John, Sherri, Shirley and Jenna won overall high team score with a score of 1136. Ryan Damrich won the overall highest individual score with a score of 283. Way to go!



CSB team bowling night

Kenny Crow is serving on The Naman Initiative Board of Directors. The Naman Initiative was



Matthew and Haley

named for Judge Edmond Naman and is an organization formed to address the needs of hopeless children and teenagers in the community.



Kenny Crow

CSB attended CPAs Night at the Bay Bears on May 16, sponsored by the Mobile Chapter of the Alabama Society of CPAs.



Olivia Chilton Wiggins, granddaughter of Jo Chateau, and Cullen Wiggins were married on December 29, 2012 at Spring Hill Presbyterian Church.



CSB Believes in the Chamber. Do You?

A buzz filled the air on the morning of April 8th as politicians and bureaucrats from around the state converged on Mobile. No, they did not come to motivate local CPAs tirelessly working to wrap up taxpayers' tax returns, but rather to relish in the official announcement of the Airbus facility. And it was certainly a photo-op that could not be missed.

But much of the laborious leg work responsible for making the Airbus facility a reality will go unnoticed. Among the unsung heroes is the Mobile Area Chamber of Commerce, which serves as a powerful and influential advocate for our local business community. The Chamber was instrumental in marketing Mobile as the premier locale for the plant. Fortunately, the Chamber's work is never complete and the arrival of Airbus will serve as a springboard for further growth in our already vibrant business community.

Since its inception, the Mobile Area Chamber of Commerce has been a proponent of business along the coast. From networking functions to advertising, there are an inordinate number of avenues for local businesses to gain exposure. The organization's monthly print publication, **The Business View**, reaches more than 20,000 businesses. **The Business View Weekly**, a modified version of the print publication, is email blasted to over 8,000 businesses. Both feature member businesses and individuals and offer targeted and affordable advertising space. Business Expo, the area's premier business-to-business trade show, features hundreds of exhibitors and is just one of many events that offer exposure and learning opportunities for local businesses.

The Chamber also serves as an advocate for member businesses through its lobbying efforts in local, state, and federal legislation, as well as through its marketing of the community. The efforts of

the Chamber are all for naught without the continuing support of local businesses. The organization's annual campaign, the "Chamber Chase", attempts to drum up this support.

May 10th marked the kickoff of the Mobile Area Chamber of Commerce's 17th Annual Chamber Chase. The Chase, chaired by Roberts Brothers President Daniel Dennis, extends the Chamber's reach via membership, sponsorship opportunities, advertisements, and networking events to suit virtually all types of businesses. Volunteers

hail from industries as diverse as the products they offer. Chemical companies, banks, realtors, utility companies, attorneys, and now accounting firms join forces to raise money and help members find ways to tell the world about their products and services. By recruiting new members, sponsors, advertising and donated goods and services, the Chamber Chase team expects to raise \$1.55 million by

the end of August. Just weeks in, the team has raised over \$600,000, thanks in large part to event sponsors that return year after year to take advantage of the networking and publicity opportunities. CSB believes in the work of the Chamber and has stepped up to do its part. The firm has pledged to raise a modest \$15,000. Together, the Chase team will reach the \$1.55 million goal, helping hundreds of member businesses along the way.

There are a variety of ways to get involved in the Mobile Area Chamber of Commerce. Visit the Chamber website for ideas or contact us for questions regarding membership, the Chamber Chase, or ways the Chamber can specifically help grow your business.

Lott H. Brigham lottb@csbcpa.com

Colleen Macon colleenm@csbcpa.com

Renting Your Condominium – What are the Tax Consequences?

By: John R. Shields, CPA

The tax treatment of renting your condominium depends on how many days it's rented and your level of personal use.

If you rent your unit out for **less than 15 days** during the year, it's not treated as "rental property" at all and any rent you receive isn't included in your income for tax purposes, no matter how substantial the amount. On the other hand, you can only deduct property taxes and mortgage interest—no other operating costs and no depreciation. Mortgage interest is deductible on your principal residence and one other home, subject to certain limits.

A good example of where such short-term rentals occur is in Augusta, GA during the Masters Golf Tournament, where residents only rent their property out for a week or two in April. But here on the Gulf Coast and most other places, owners generally rent out their property for longer periods. In that case, all rent received must be included in income, with a part of your interest, taxes, operating expenses and depreciation being deductible. The portion of deductions allowed depends on your level of personal versus rental use.

If you use it personally for more than the greater of (a) 14 days, or (b) 10% of the rental days, you cannot claim expenses in excess of income. You can still use your deductions to offset rental income, but these deductions cannot exceed income to create a loss. Any deductions you cannot use carry forward and may be usable in future years.

If you "pass" the personal-use test by not using the property personally more than the greater of the figures listed above, and your rental deductions exceed income, you may be able to claim a loss. However, you must still allocate your expenses between the personal and rental portions.

Let's look at a couple of examples.

Example 1 – Personal Use Test "Passed": You rent your unit for 90 days and use it personally for 10 days. You are paid rent of \$12,000. Expenses are \$6,000 in interest and taxes, \$3,600 in operating costs such as insurance, monthly dues, assessments, utilities and repairs, and \$6,000 of depreciation, for a total of \$15,600. Personal use is 10% (10 out of 100 total use days). So 90% of expenses are allocated to rental (\$15,600 × 90% = \$14,040). You can deduct the 90% rental portion of the interest and taxes, or \$5,400, then 90% of operating costs and depreciation, or \$8,640. This produces a rental loss of \$2,040 (\$12,000 income less \$14,040 expenses). Since personal use does **not** exceed the greater of (1) 14 days and (2) 10% of rental days (9), the loss is allowed subject to the limitations under the "passive activity"

rules. Note that the remainder of the interest and taxes of \$600 (10% of \$6,000) may be deductible if you itemize deductions, subject to certain limitations.

Example 2 – Personal Use Test "Failed": You rent your unit for 60 days and use it personally for 20 days. You are paid rent of \$8,000. Expenses are the same as in Example 1: \$6,000 in interest and taxes, \$3,600 in operating costs and \$6,000 of depreciation, for a total of \$15,600. This gets a little more complicated, as there are two methods available in allocating expenses to your rental income as follows:

	Allocated to Rental		
	Total	Method 1	Method 2
Rental Days		60	60
Personal Use Days		20	20
Total Days of Use		80	80
Days in Year		366	366
Rental Income	\$ 8,000	\$ 8,000	\$ 8,000
Interest & Taxes	6,000	4,500	984
Operating Expenses	3,600	2,700	2,700
Depreciation	6,000	800	4,316
Total Deductions	15,600	8,000	8,000
Income (Loss)	\$ (7,600)	\$0	\$0
Interest & Taxes Allowed as Itemized Deduction		1,500	5,016

Note that even though your total deductions exceed your rental income by \$7,600, you may **not claim that loss on your tax return** since your personal use exceeded the 14-day/10% of rental day's threshold. Your net reportable income is zero under both Methods.

Interest and taxes must be allocated **first**, followed by operating expenses and then depreciation. Each Method allocates operating expenses based on rental days (60) to total days of use (80), and each allows only enough depreciation to bring deductions up to the amount of income. However, Method 1 allocates interest and taxes based on rental days (60) over total days of use (80), while Method 2 allocates less interest and taxes to rental by using a ratio of rental days (60) over total days in the year (366 for 2012). The advantage of Method 2 is that more interest and taxes remain available to deduct as an itemized deduction. So this method can result in more deductions and less tax.

Continued on Page 7

Continued From Page 6

Although the Tax Court and the Ninth and Tenth Circuit Courts have allowed Method 2, the IRS doesn't agree and takes the position that Method 1 is correct. Nevertheless, the more favorable court-allowed Method 2 is commonly applied by taxpayers. You should consult your tax advisor as to which method is best for your situation.

We hope you find this information useful in understanding the tax consequences of renting out your condominium. If you have questions, please contact us or feel free to stop by our office.

Circular 230 Disclaimer: This written advice is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer.

Approaching 500 claims and counting...

CSB is now well into our third year of assisting both clients and non-clients with the claims filing process related to the Deep Water Horizon Well that exploded in the Gulf on April 20, 2010. The claims filing process began in 2010 with BP, migrated to Ken Feinberg's Gulf Coast Claims Facility (GCCF) and then beginning in June of 2012 was replaced by a new Settlement Agreement as a result of a lawsuit against BP.

After eleven months under the new Settlement Agreement, our involvement in the process continues to grow. Through May of 2013, we have over 285 Loss of Income claims and 80 Loss of Use claims at various stages in the process. When we add the claims processed under the GCCF and BP, we have assisted with nearly 500 claims to date, resulting in millions of dollars put back into businesses' and individuals' pockets along the Gulf Coast!

The claims process will continue into 2014. It is not too late to get started. We have over ten team members who are working on the claims calculations. If you wonder whether your business will qualify, call or email Melissa Brock at melissal@csbcpa.com.

Chamber of Commerce

Sponsorship Opportunities

Business Expo

When: August 22, 2013, 1 PM to 6 PM
Where: Mobile Convention Center

11th Annual Health Occupations Career Fair

When: January 2014
Where: Mobile Civic Center

22nd Annual Chamber Classic Golf Tournament

When: March 7, 2014
Where: TBA

Pork & Politics in the Park

When: Spring 2014, prior to the state-wide and Mobile County Elections
Where: USS Alabama Battleship Park

Member Events

Business After Hours

When: July 25, 2013 5:30 PM to 7:00 PM
Where: Broussard's Piano Gallery and Academy of Music



Healthcare Reform Seminar

The Final Countdown – Healthcare Reform is Almost Here – Are you Prepared?

A review of the legal, tax and insurance implications of the Affordable Care Act and regulations on your business and workforce planning strategies for 2014.

Presented by: Crow Shields Bailey, PC and Johnstone, Adams, Bailey, Gordon and Harris LLC

Date: August 15, 2013

Time: 8:00 – 11:00 with continental breakfast

Location: Marriot Hotel, 3101 Airport Boulevard, Mobile AL 36606

Registration: Contact Deborah Fisher at deborahf@csbcpa.com or 251-343-1012.



Mobile Office

3742 Professional Pkwy.
Mobile, AL 36609

Gulf Shores Office

121 Cove Avenue | P.O. Box 2405
Gulf Shores, AL 36547

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