

Legacy Advisor

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LABOR ORGANIZATIONS

The New Form T-1, Trust Annual Report

Of all the new labor organization reporting and disclosure requirements, the new Form T-1, Trust Annual Report, will, in many cases, be the most problematic. Every labor organization that is required to file Form LM-2 must also file a Form T-1 for each "trust" in which it is considered to be "interested."

Determining which entities the form needs to be filed for is one of the most important challenges. First off, the name of the form, Trust

Annual Report, is confusing. This form is required for any entity that the union is interested in. It is not limited to what is normally considered to be a trust.

In order for the union to be considered "interested in" the entity or trust, all of the following must apply:

- **The trust has annual receipts of at least \$250,000;**
- **The labor organization's "financial contribution" to the trust is at least \$10,000 for the year;**
- **The trust's primary purpose is to benefit the union members; and**
- **The trust was either created by the union or the union appoints a member of the board.**

"Financial contribution" has a very broad definition. It is not limited to amounts paid directly to the trust by the union. It also includes indirect contributions which may be the most difficult to access. These include amounts paid to the trust by an employer as the result of a collectively bargained or negotiated agreement to which the union is a party,

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Legacy News

In the last few issues of Legacy Advisor and in the last several Legacy News Flash releases, we have been keeping you informed about the many changes to the LM-2 Form and the new T-1 Form. In this issue, we go into detail on the T-1 Form. We promise to continue to keep you informed with any new developments or changes. If you have any questions at any time, please feel free to give us a call.

We are so pleased to report that the Firm celebrated its two-year anniversary on January 20, 2005! Thanks to all of our clients and friends for your ongoing support. We are looking forward to many more great years!

Did you know that we have a growing not-for-profit practice? If you are involved in a trade and professional association, charitable organization, or foundation, please keep us in mind for audit, accounting, and tax services. Contact Julie Tucek at jtucek@legacypas.com or at 312-368-0500 for additional information on our not-for-profit practice.

We are very pleased to announce a number of Legacy Professionals LLP promotions as of January 1, 2005. Robert (Bob) Cann, CPA, was admitted to the partnership. Bob serves as the Firm's Director of Compliance Services and works out of the Firm's Chicago office. Legacy now has sixteen partners in our three offices.

Tim Cibulka, Jim Kemperas, Tim Lakis (Chicago), and Lori Seljan (Indiana) were promoted to Senior Manager. Mark Batliner, Colin Thompson (Chicago), and Chad Fennell (Minnesota) were promoted to Manager. Additionally, eight members of the staff were promoted to Senior Accountant, including: Marcie Clark, Akelo Colbert, Jeremy Cremean, Maureen Dunigan, Paul Hedinger, Jerry Myers, Tessa Palomo, and Jorge Villegas.

This issue was edited by Donna A. Hubert, CPA. Donna can be reached at dhubert@legacypas.com if you have any questions or comments.



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Payroll Services

Payroll withholding, remittance, and reporting requirements can be very complex and penalties for noncompliance may be significant. As a result, many organizations choose to use an outside service to process their payroll. Services offered include issuing payroll checks, directly depositing payroll checks, depositing payroll taxes, and preparing payroll tax returns.

The use of a payroll service has many benefits, including helping to ensure that filing deadlines and deposit requirements are met and reducing the time spent processing each payroll. However, organizations must realize that they, as the employer, are ultimately responsible for the reporting and payment of their payroll taxes, even if the third party payroll processing service is making the deposits. It is important to keep in mind that if the payroll service fails to make a required deposit or a deposit is made late, any penalties, interest, or taxes are assessed against the employer.

The IRS has the following suggestions for organizations using an outside payroll service:

If there is an issue with your account, the IRS sends all correspondence to the “address of record,” so do not change the “address of record” to the payroll service.

If you do receive a notice, make sure you respond to it in a timely manner. Do not assume the payroll service has taken care of it.

Ask the service provider to enroll in and use the Electronic Federal Tax Payment System (EFTPS). Employers can then verify payments on-line with the EFTPS or with your bank.

Make sure the payroll service provider has a fiduciary bond in place in case of default.

By using a reputable payroll service provider and following these few simple steps, an organization will limit its exposure. Please let us know if you have any questions or would like a referral to a quality payroll service.

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Legacy Peer Review



CPA firms periodically undergo their own version of an “audit.” This program is called the “Peer Review” and is designed to provide assurance that public accounting firms establish and enforce the appropriate quality control system for their accounting and auditing practice, and do so in accordance with the standards and procedures formulated by the AICPA. Typically, a peer review is performed every three years.

In November 2004, Legacy Professionals LLP successfully completed its peer review. The peer review team of an outside CPA firm made an independent assessment of Legacy’s quality control system and inspected the working papers and reports on a sample of engagements. They also inspected the administrative files and records and interviewed professional personnel to determine the extent of qualifications, supervision, and training.

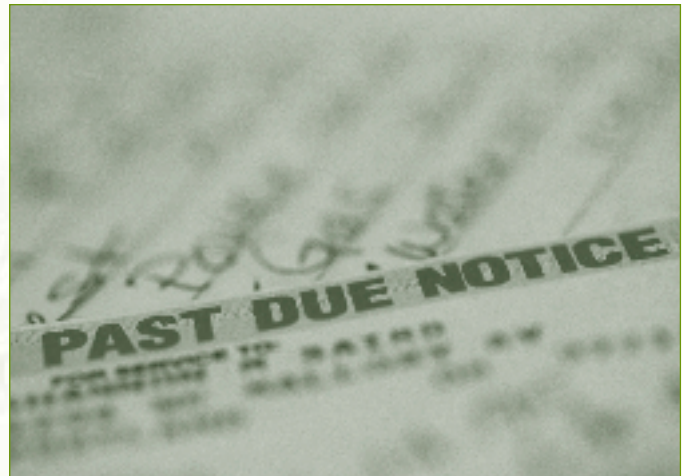
We are very pleased to report that the team issued an unqualified report with no “Letter of Comment” to our Firm. What does this mean? This is the best result you can receive since the Letter of Comment usually includes suggestions for improvement. We will continue to do our very best to provide the top-notch service our clients have come to expect. Contact our Managing Partner, Bob Tiberi at rtiberi@legacypas.com or at (312) 368-0500 if you have any specific questions concerning the Peer Review or if you would like to receive a copy of our most recent Peer Review letter.

Credit Reports Now Available

Nationwide consumer reporting companies maintain credit information on virtually everyone who has a checking account. These companies sell this information to businesses that use it to evaluate an application for credit, with an auto loan or a mortgage, for example. In addition to your bill payment history, other information is maintained, such as your address and whether you have been sued, arrested, or filed for bankruptcy. All of this information is accumulated without your consent or knowledge.

The Fair Credit Reporting Act has been amended to require each of the three nationwide consumer reporting companies to provide you with a free copy of your credit report once every 12 months. The free credit reports will be phased in over nine months. Consumers in Western and Midwestern states can already order their free reports. These will be available to consumers in Southern and Eastern states effective June 1 and September 1, 2005, respectively. You may order a credit report online at www.annualcreditreport.com.

The Federal Trade Commission (FTC) has published, Your Access to Free Credit Reports, a brochure explaining your rights and how to obtain a free credit report. The brochure is available on the FTC website www.ftc.gov.



The New Form T-1, Trust Annual Report

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payments made on behalf of the trust by the union, or other items of value provided by the union to the trust such as office space, shared employees, and supplies.

The following are excluded from the definition of a trust and thus, do not require a Form T-1:

- Any organization that files a Form LM-2, LM-3, or LM-4;
- Most political organizations and PAC funds; and
- Employee benefit plans that file a timely and complete Form 5500.

The Form T-1 reporting is similar to the Form LM-2 in that it is cash based, includes disclosure of disbursements to officers and employees, and requires reporting of major receipts and disbursements. A copy of the audited financial statements of the trust may be filed with the Form T-1 in place of the above financial information. The audited financial statements must be

prepared by an independent qualified public accountant and include an abbreviated listing of the major receipts and disbursements.

The Form T-1 is based on the trust's year end. It must be filed with the union's Form LM-2 and must be filed electronically unless the union has received a hardship exemption specifically for the T-1. The Form T-1 has the same public disclosure and record keeping requirements as the Form LM-2. The officers of the union are responsible for the filing and accuracy of the form.

Please contact us if you have any questions or concerns.

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Officer Elections

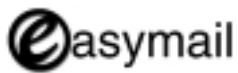
Title IV of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA or the act) establishes election procedures that must be followed by all unions covered by the Act. The Act does not spell out detailed procedures; rather, it sets minimum requirements. Beyond this, elections are to be conducted according to the constitution and bylaws of each union, as long as the union's rules do not conflict with the provisions of the Act. Some of the topics covered by the Act include:

- Offices that must be elected and how often
- Campaign rules
- Proper nomination and election procedures
- Protesting elections

You will want to make sure your election is in compliance with all of the LMRDA's and your Local's requirements. Legacy Professionals has provided election officer services for many of our local union clients. Feel free to contact us if you would like us to act as your Local's election officers, assist you with your next officers' election, or if you just have questions.

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