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Protecting The Privacy Of Personal Information Collected By Your Business



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Businesses that collect personal information, including contact and credit card information, have long been subject to state and federal laws. In California, businesses that collect personally identifiable information "PII", must have privacy policies, and must notify potential victims of system hacks which could have released that victim's PII. The federal government has created stringent rules for PII related to health and financial matters.

You may think that a California business that complies with California and federal law does not have to worry about the laws of other states. Unfortunately, that's not the case for PII. Massachusetts recently made effective regulations protecting its resident's PII, *regardless of where the resident's PII may be located*. (The extent to which Massachusetts can, constitutionally impose its laws on persons outside of its state remains to be seen.)

Even if your business is in California, and you have no operations or employees in Massachusetts, having PII of Massachusetts

residents ending up in your system is not as difficult as it sounds. Simply purchasing a mailing list with Massachusetts resident addresses, or acting as a "back office" order processor, may be enough. It doesn't matter if the information is written down or stored in a computer, or if you use a third-party fulfillment company to process customer orders or store contact information. Massachusetts law still requires you to take reasonable steps to maintain the appropriate safeguards. These steps can include selecting service providers that can comply with the law, and obligating them to do so.

In California, businesses that collect personally identifiable information must have privacy policies.

What if you're a financial company, or medical office, and you already comply with federal standards required of your business? Massachusetts does *not* give you an out, but instead requires you to design your safeguards to be consistent with the regulations already imposed upon you.

So, how do you comply with Massachusetts law? Essentially, you must develop and **(Cont'd on Page 2)**

Success Story



While assisting a client with modifying their work week for employees' alternative work schedules, SLG's attorneys reviewed the client's Employee Handbook and found some unenforceable or illegal policies. We were able to revise these policies and suggest others, saving the client many of thousands of dollars and the risk of potential employee claims in the future.

Protecting the Privacy of Personal Information

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maintain an information security program that is appropriate to your business and other privacy protection laws with which you may already be required to comply. The regulations, found at <http://www.mass.gov/Eoca/docs/idtheft/201CMR1700reg.pdf>, describe many of the required tasks, including encrypting records transmitted wirelessly or electronically over public networks, and encrypting all PII contained on a laptop or portable device. This means you must encrypt all Massachusetts friends and business associates in your contact manager.

Is the Massachusetts law an aberration? Unlikely, since other states have been active in privacy protection. For example, persons doing business in Nevada (except for telecom providers) must comply with specific encryption requirements in connection with a sale. As more states become involved in privacy protection, laws like those in Massachusetts will land on our doorstep. We are happy to assist you with your privacy protection tasks, including any coordination necessary with counsel in other states.

Tax Corner

Electronic Filing of Form 5500 Annual Return/Report of Employee Benefit Plan



As of 2010, the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) converted to an electronic filing system. All Forms 5500 and Form 5500-SF must now be filed online. The forms are to be filed online using the EBSA EFAST2 system at www.efast.dol.gov.

FICA Tax Refund on Severance Pay!?!

According to a recent District Court decision, severance pay for laid-off workers is not subject to Social Security taxes. The IRS will most likely appeal, but if you made a severance payment to a laid-off worker, as far back as 2006, you should consider filing a protective claim for refund. (*U.S. v. Quality Stores, Inc.*)

The Perfect Margarita

In honor of the upcoming Cinco de Mayo holiday, everyone should have a recipe for a mouth watering margarita.



Ingredients

- 6 oz. frozen limeade juice mix
- 6 oz. tequila
- 3 oz. triple sec
- 6 cups crushed ice
- Lime juice
- Salt (if desired)

Combine tequila, triple sec and limeade in a blender.

Add crushed ice to mixture and blend until it becomes slushy.

Freeze in container until ready to serve.

For variety, try adding different types of frozen juices in place of the limeade.



Important Updates

LLC Update

The Secretary of State is now suspending LLCs that fail to file their biennial Statement of Information, as well as those that fail to file or pay their franchise taxes. Make sure your LLC is up to date, or you may be risking your liability shield.

Identity Theft Scam

The IRS is currently conducting its annual phone survey of small business owners. However, small business owners should beware. Phony callers are posing as IRS agents and asking for information including social security numbers, credit card data and other personal and business information. If the IRS is calling you, they will never ask for personal information including social security numbers and credit card numbers.



Tax Breaks Available in New HIRE Act

Congress recently approved an \$18 billion bill which offers tax breaks to qualified employers (for profit and non-profit private sector companies) who hire qualified employees. There are two parts to the Hiring Incentives to Restore Employment (HIRE) Act.

1. Payroll Tax Relief for New Hires

The Hire Act provides immediate payroll tax relief for wages paid to qualifying new hires by eliminating the 6.2% Social Security payroll tax. Qualified employees must:

- Be Hired after February 3, 2010 and before January 1, 2011
- Have been unemployed for more than 40 hours during the 60-day period ending on the date employment begins.
- Not hired to replace any employee unless that former employee quit or was fired for cause.
- Not be related to company owners.

2. Business Tax Credit for retained new hires:

- Employers can earn a tax credit equal to 6.2% of the new hire's salary with a cap of \$1,000 for each new hire that stays on the payroll for 52 weeks. The credit can be taken on the 2011 tax return.

There is no cap on the total amount of tax benefits employers can claim under the HIRE Act. Employers can save up to \$6,622 per employee. Be sure to contact your payroll company if you hire any qualified employees.

In order for employers to qualify for the maximum \$1,000 tax credit under the new HIRE Act, they must have their new, formerly unemployed, employees complete and sign IRS Form W-11 which is the Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit. This form can be found on the IRS website. [Source: HIRE Act (P.L. 111-147). 1 R 2010-43]

Real Estate Corner

1031 Update

Imagine if you sold real estate, one of your largest assets, and placed the sales proceeds with a 1031 exchange intermediary to defer taxes, and then never got the money back to complete your exchange into a new property.

In recent years several 1031 exchange intermediaries have gone bankrupt, taking their clients' exchange funds with them and leaving sellers unable to complete their tax deferred exchanges. The IRS is now finally providing some relief. The gain on an incomplete exchange will only be taxed based on the sales proceeds (if any) recovered from the intermediary. Sellers that fail to recover their tax basis in the property can claim a loss and get a refund of any gain reported on the transaction. *The Kiplinger Tax Letter Vol.85, No.6, March 19, 2010.*

If you plan to do a 1031 exchange, we can help you choose an intermediary with safeguards in place to be sure this won't happen to you.



Employment Corner

Work Sharing: An Alternative to Layoffs

If the recession is causing your business to consider layoffs, you may want to consider Work Sharing instead. Work Sharing is an Employment Development Department ("EDD") program that allows your employees to continue to work, but on a reduced schedule, and get (reduced) Unemployment Insurance benefits to make up for their reduced wages. For example, a business with 100 employees can cut the work week down to four days for all employees instead of laying off 20 people. This allows you to cut payroll costs without cutting people, keeping your workforce in place for when the economy begins to recover. To be eligible, you must reduce both hours and wages by 10 percent or more, and the reduction must affect at least two employees who comprise at least 10 percent of the workforce. For more information, contact the EDD at (916) 464-3343.





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Dates To Remember

Administrative Professionals Day	April 21
Earth Day	April 22
Mother's Day	May 9
Armed Forces Day	May 15
Memorial Day (Courts and government offices closed)	May 31
Father's Day	June 20
Summer Begins	June 21

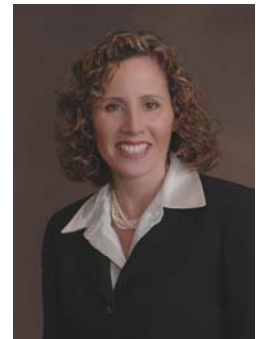
Did You Know?

- The inventor of Velveeta Cheese is from Switzerland.
- In 1893 hot dogs were first introduced to baseball parks.
- White Castle was the first hamburger chain in the United States.
- A popcorn kernel will pop at 450°F.
- The television was invented in England.
- A cat has 32 muscles in each ear.
- There are only 5 seas in the modern version of the "seven seas."
- At 120 feet, the D river in Oregon is the world's shortest river.

We appreciate your referrals!



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