

Rooftop REPORTER

JULY 2011



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Upcoming Events

Wednesday, August 17th	<p>Quarterly Dinner Meeting, Venue TBD Barry Hager, Contract Law Glenn M Gelman, CPA</p>
Monday, October 24th	<p>SDRCA 45th Annual Golf Classic Lomas Santa Fe Country Club</p>

Our Advocate Sponsors

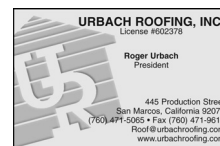
Diamond



Emerald



Pearl



President's Message

Happy Birthday USA. I am writing this message on Independence Day 2011, a day that I enjoy tremendously. As an immigrant I am grateful to be accepted into this society and I would like to express my appreciation.

Even though I come from a free country (and it is a free country thanks to the efforts of the USA in WWII), being able to serve as the President of a local contractors association as a foreign born individual is almost unthinkable in any other place.

I came here for a number of different reasons and in my case financial wealth was not one of them; freedom was. Today, after 20 years of being here, I see that a lot of the freedom has eroded and it concerns me probably more than US born citizens. I understand that a lot of that erosion had happened before I arrived. On a local level here are a few things that happened since I got here:

1. I have to wear a helmet in a motorcycle which is a good idea but limits personal choice.
2. I can't drink a beer at the beach.
3. I can't smoke at a bar, even if the bar owner would like me to do so, and I quit quite a while ago.
4. I can't smoke at the beach either.

I am not even going to comment on local building ordinances such as that I can't have a shake roof in Pacific Beach even though it would be U.L. Class A Fire rated and there are no brush fires here. OK, I did comment on that.

My point is that freedom is being curtailed in small increments because our lawmakers are just that, they make laws. Laws by definition are regulations and regulations limit choice. Contractors Associations can influence lawmakers and that is why participation is important.

By Ulf Waldmann

FLASH REPORT!

Jail Time for Roofing Owner, Foreman in 2008 Fatality

Against a backdrop where more and more California employers are becoming concerned about Cal/OSHA's new administration, and more than one year after they were indicted by the San Francisco County grand jury for involuntary manslaughter in the death of a roofer, two men have accepted a plea deal and have each been sentenced to a year in jail.

The case stems from a Jan. 16, 2008, incident that killed 37-year-old Antonio Martinez, who fell almost 40 feet from an apartment building to a concrete sidewalk. The victim was working on a drain hole at the edge of the roof and stepped backward and off the roof. Martinez was not wearing fall protection; the employer did not provide supervision of his work along the roof edge and failed to provide railings, scaffolds or barriers to prevent a fall.

Foreman Kim was present when Martinez fell. Shim and Kim told Division of Occupational Safety and Health (DOSH) investigators that "they did not believe fall protection was required for roofing work on flat roofs." The day after the incident, DOSH investigators observed two workers, including a foreman, working at the same roof edge with no protection.

That led DOSH to cite the company for a willful violation of Construction Safety Orders §1730(b) for knowingly installing roof coverings while there was a fall hazard. It also cited the roofing company for a serious, accident-related violation of the same safety order for not protecting workers from falls; and an alleged regulatory violation of §342(a) for failing to timely report the fatality. California C&R appealed the citations and now that the criminal case is concluded, the appeal can proceed.

Sam Hyung Goo Shim, owner of California C&R, Inc., pleaded guilty to four felonies, including involuntary manslaughter, willfully violating a Cal/OSHA safety order causing death as well as insurance and tax violations. Foreman Jwa Young Kim pled to a misdemeanor violation of California Labor Code §6425 (willful violation causing death).

<http://www.cal-osha.com/Jail-Time-for-Roofing-Owner-Foreman-in-2008-Fatality.aspx>

Thank you to Cathi Marx, Aspen Risk Management for sending this article to us.

August Quarterly Dinner Meeting

The August Quarterly Dinner Meeting is set for Wednesday, August 17th. Although the venue has not been selected, we have a great program schedules.

We have Barry Hager Esq. (Treitler & Hager), and Glenn M. Gelman CPA (Glenn M. Gelman & Associates) presenting at this meeting.

Barry Hager has spoken to us several times regarding contract law and Glenn Gelman has written several articles for our newsletters regarding accounting.

Fliers for this meeting will be available soon.

Tax Deductions Often Overlooked By Contractors

By: Glenn Gelman, CPA, MS-Tax, CFF

Although contractors are among the most heavily taxed under the Internal Revenue Code there are many options within the tax code that allow contractors to minimize their tax as follows:

1. **Methods of Accounting** - contractors have more methods of accounting available to them than nearly any other taxpayer. A contractor may be eligible for use of the cash method, the accrual method, the modified accrual method, the completed contract method or the percentage of completion method. There are many rules and regulations that must be addressed relating to accounting methods but if one qualifies for a favorable method, significant opportunities may present themselves. Consult your C.P.A.
2. **Depreciation Methods** - since contractor are equipment intensive, use of bonus depreciation, accelerated depreciation and treatment of idle equipment all can result in significant income tax and property tax savings.
3. **Sales Tax** - a strong understanding of our state's sales tax and use tax laws can result in significant property tax and use tax savings. Consult your C.P.A. as to how using a leasing structure may save overall sales tax.
4. **Tax Credits** - many contractors work in enterprise zones and employ individuals eligible for hiring credits. Understanding how tax credits work can be a major cash flow enhancement tool.
5. **Pension Plans** - the use of pension plans can lower prevailing wage costs significantly and save payroll taxes not to mention income taxes. Exploring the use of fringe benefit plans can also accomplish similar objectives. Certain types of plans have greater deductions than others, but beware the requirements to fund may not be optional as is the case with a profit sharing plan.
6. **Home Construction and Residential Contractors** - there are exceptions built into the code for residential contractors to escape some of the reach of the dreaded alternative minimum tax and even look back regulations that force the contractor to pay interest to the IRS on jobs in progress that are more profitable than originally projected. The definition of residential or home construction has been broadened and should be explored with your C.P.A.
7. **Carryback of Net Operating Losses** - during these troubled times losses should be reviewed as carefully as profits. Under the code a contractor should be eligible to carry back losses at least two years and if this is the case, maximizing losses to capture previously paid taxes before they expire, as to statutes of limitation should be explored.
8. **Shifting of Income** - contractors should consider shifting income when possible to other entities, possibly to adult children in lower brackets and from year to year. This can only be done by following the laws in the code of having a business purpose and support for doing so.
9. **Gifts** - a wonderful opportunity is being presented to taxpayers in 2009 in that gifting would be far more tax effective than in the recent past. Due to the recession, you may be able to value your business at a much lower multiple than before and thus make gifts to reduce your estate and possibly your taxes as well. Consult your C.P.A. or estate tax attorney.

SDRCA OFFERS MONTHLY PAYMENT FOR DUES

The SDRCA recognizes that during this economic struggle, some members may prefer to pay the annual dues on a monthly basis.

If you would like to take advantage of the monthly plan, simply contact the SDRCA office to make arrangements.

45th Annual Golf Classic

Hard to believe but this will be our 45th Annual Golf Classic. The event is set for Monday, October 24th at the private Lomas Santa Fe Country Club. Now is the time to reserve your sponsorship at this event. Sponsorship opportunity letters were sent out last month. Please contact the SDRCA and reserve your sponsorship level.

Thank you to the sponsors listed below, please support the companies that support the SDRCA.



CSLB Fee Increase

Contractor State License Board (CSLB) application, licensing and registration fees transition to a new schedule on July 1, 2011, following action taken by the state Office of Administrative Law (OAL) in 2010. CSLB fees had remained the same since 1993.

OAL approved increases that would represent the statutory maximum that was set by the Legislature in 2002 in response to the Enforcement Monitor report that called for increased resources for the CSLB's enforcement program. The increase will help assure that CSLB is able to uphold its mandated protection of California consumers and the integrity of the construction industry.

Fees are increasing by 20% across the board except for the Application to Add a Supplemental Classification or to Replace the Responsible Managing Officer or Employee to an Existing License, the Home Improvement Salesperson Registration Fee, the Hazardous Substance Renewal Certificate, and the Delinquent Renewal. Those four mentioned will increase by 50%.

SDRCA General Liability Program for Members

The San Diego Roofing Contractors Association (SDRCA) and Coronado Insurance Wholesale Services are proud to present a new General Liability option for contractors who are members.

The construction industry is critical to any growing economy. The nation has experienced a decrease in the economic environment while at the same time the insurance industry has become more competitive. Insurance is now available and cost effective for many contractors in California. Competitive programs providing lower premiums, varied coverage limits, and financially stable carriers are the foundation for the current marketplace.

Through Coronado Insurance Wholesale Services, roofing contractors who are members of the SDRCA will have access to premium discounts, a loss control program and financially stable carrier.

At Coronado Insurance Wholesale Services, our fundamental goal is to provide a new, unique and stable market for contractors through profitable underwriting, superior claims service, and risk management programs through your local independent agents and brokers.

Risks Insured: Residential & Commercial Roofing Contractors

Program Features:

- Admitted, Rated Carrier
- \$1200 Minimum Premium
- Tracts, Apartments, Condos & Town homes, & Hot Work available CG 20 10 11/85 available - Commercial Work only

Coverage: Limits of Coverage: Up to \$1 million per Occurrence
\$2 million General Aggregate

- Deductibles: as low as \$2,500 per claim
- Rating Basis: Gross Receipts
- Maximum Policy Term: 1 (one) Year

Inspections: A telephone inspection is made on all accounts

- Completed & Executed applications only

Download application at www.SDRCA.com

Completed Jobs: Jobs completed prior to policy date are not covered

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