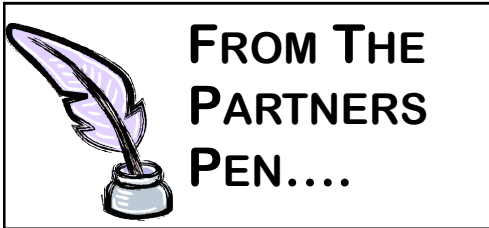




# DONOVAN SULLIVAN & RYAN

July/August 2009

A Newsletter for our Clients and Friends



## MASSACHUSETTS SALES TAX WILL INCREASE TO 6.25%

Beginning August 1st, the Massachusetts Sales Tax will increase from 5% to 6.25% - a 25% increase. This increase will be seen on all goods, except for food and clothing, including restaurants, satellite TV bills and, for the first time, alcohol. Retailers in Massachusetts say they will press for another sales tax holiday for the end of August, but Governor Patrick has indicated that this is not likely. This increase in sales tax will generate more than \$1 billion in new revenue but will not offset the billions of dollars in cuts that residents will see in virtually every program that receives state funding. In fact, Governor Patrick has not ruled out the idea of a gas tax increase to fund the state's growing backlog of road and bridge repairs.



Dear Clients and Friends,

I'm looking forward to the summer, I hope it gets here soon!

We have successfully completed our most recent firm peer review. Our accounting practice was reviewed by an independent firm and a copy of their report is a public document available from the AICPA. I want to congratulate our staff for their efforts.

Paychex (our payroll service provider) is offering an attractive deal to new customers through October 2009. If you have been unhappy with your payroll service take advantage of their three months of free service offer. For more information contact me or Stacy Smith of Paychex at 617-360-1911.

Sincerely,

Mike Ryan



## MA ATTORNEY GENERAL'S OFFICE AGGRESSIVELY ENFORCING INDEPENDENT CONTRACTOR LAW

The MA Attorney General's Office is cracking down on both intentional and unintentional violations of the Independent Contractor Law. The law provides that Massachusetts workers are presumed to be employees, not independent contractors, unless the following three criteria are met:

- The worker is free from the employer's control and direction in the performance of work
- The service provided by the worker is outside the employer's usual course of business
- The worker must be customarily engaged in an independent trade, occupation, profession or business of the same type.

The misclassification of employees is considered as a serious violation of state law. The penalties can be quite severe. A criminal conviction can carry fines up to \$25,000 and one year in prison for an intentional violation, or \$10,000 or six months in jail for an unintentional violation. These penalties are for first-time offenses. Penalties for subsequent violations are more severe.

For more information on the Independent Contractor Law, you can go to [www.ma.gov/ag](http://www.ma.gov/ag). Click on Workplace Rights then click on MA Independent Contractor/Misclassification Law.

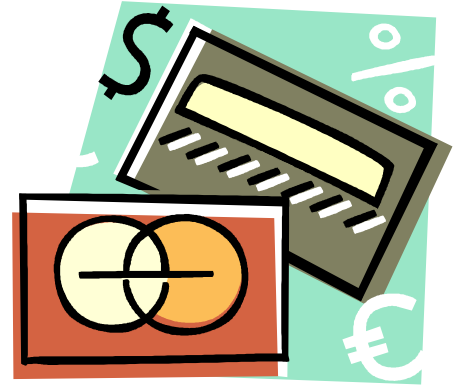
***"More than accountants...business advisors"***

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**CREDIT CARD COMPANIES FIGHTING BACK AFTER NEW LAWS PASSED**

The Credit Card Accountability, Responsibility and Disclosure Act, or Credit CARD Act, that was discussed in our June 2009 newsletter, will take effect in February 2010, although a few key provisions will kick in at the start of August 2009. One of the key provisions that will begin in August requires credit-card issuers to give 45 days' notice before any rate hike.

As a result, many card issuers are playing with rates now, to get in under the wire, leaving consumers struggling with how to properly respond. No one wants to accept a rate hike, but they fear being cut off from available credit, even if their credit score is good. As the lending industry has tried to recover from its past excesses, it has lowered credit limits, closed accounts and tightened up lending standards, even to many of its best customers.



In effect, many consumers are protecting their credit score over their checkbook, a move that might make sense if there's a need for a mortgage or car loan or other big-ticket, financed item in the next 8 to 12 months, but which is costly for those whose situation is stable.

Many card issuers who are putting through a rate hike will give consumers the option of closing out the account and paying off the bill under the old terms. Keeping the lower rate, letting the account close and paying off the debt is actually the smartest move. This will allow consumers to save a significant amount in interest and will in turn help them get another credit card in the future if needed.

What's important is that you don't just focus on your credit score, but you look at it in real dollars. Some consumers are so busy protecting their credit score that they are losing money while doing it, and the savings could also help their bottom line, which would in turn help their credit score over time.

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**SUMMER SCHEDULE REMINDER**

Don't forget that our office will be closed on Fridays during July and August. If you need to reach us, you may do so from 9-5 on Monday through Thursday. Our regular office hours will resume on Friday, September 4th.

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