

Firm makes tax calculations easier

Web-based process does the heavy lifting on capital gains for accountants

BY ANDREW A. DUFFY Times Colonist staff

A Victoria company is starting a revolution in the number-addled and often complicated world of accounting.

ACB Tracking Inc. has come up with a web-based, adjusted cost base calculator intended to save accountants and financial advisers time and aggravation when preparing tax returns.

The man behind it is still wondering how it is he's the first to market this kind of service.

"I kept wishing someone would come up with something to do this, but no one ever did," said Mike Wooding, managing director of ACB Inc., who worked for 29 years as an investment adviser, most recently with CIBC Wood Gundy.

Wooding said when he retired last year he decided he was finally going to do something about it and partnered with Toronto-based investment adviser Kathy Hill.

The result is the web-based calculator (www.acbtracking.ca) that streamlines the process of determining the adjusted cost base of income trusts and many types of closed-end funds that pay out monthly distributions which include both income and a return of capital.

"The problem is Canada Revenue Agency requires you to factor in all those returns of capital, add them all up and subtract them from what you originally paid for it to get the true adjusted cost base for purposes of reporting capital gains," said Wooding.

ACB Tracking has done the heavy lifting by researching and entering the necessary variables for more than 600 income trusts, closed-end funds, split shares and exchange-traded funds. ACB enters the recorded date of a trust's distribution, the total amount of distribution and the key factor, the return of capital, as well as information on splits, consolidations and mergers.

So instead of having to dig up those data manually, which can be time consuming — time accountants charge to their clients — accountants or advisers simply punch the original purchase data into the calculator to get the cost base.

"It's very useful, it saves us a lot of work," said Susan Mehinagic, managing partner of Grant Thornton LLP in Victoria, noting the time saved can be passed on to their clients.

"The cost of the tax returns for some people with a lot of trust units can get pretty high, so as this cuts our time down it cuts their bills down.

"I'm pretty surprised that one of the brokerage houses hasn't put this together until now."

A local investment adviser who was not allowed to talk on the record about the product, said the calculator is the first of its kind and has been sorely needed by the industry to alleviate time pressures, cutting down what could be hours of work into minutes.

The calculator was released Feb. 1 in time for this tax season, and Wooding said response has been good, if slow, so far.

"Most people haven't done their taxes yet," he said by way of explanation, adding another reason is trusts have until the end of March to report their financial results.

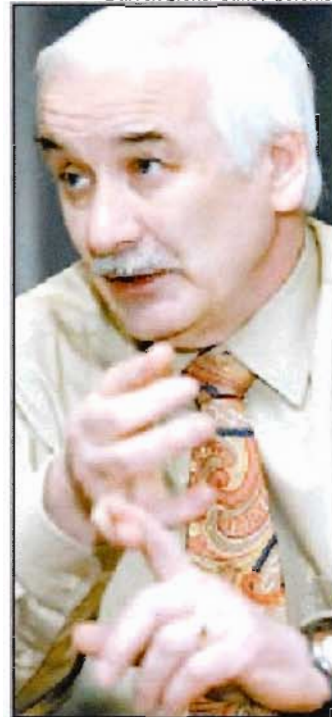
He believes they may sign up 500 clients to the service in the first year, but once word gets out it could bloom to 5,000 in 2008.

Clients pay to use the calculator by buying "bundles" of calculations — 10 for \$85 up to 500 for \$1,495.

Currently, income trusts are not taxed on profits; those profits are distributed to unit holders who are taxed. Despite federal Finance Minister Jim Flaherty's announcement last fall that the government will start taxing income trusts in 2011, which is expected to stop the trend of corporations converting to trusts, Wooding says his product will remain viable.

"There will still be income trusts around. There were a lot of [real estate investment trusts] not affected by the legislation and there's still the question of whether or not this will go through — remember we still have a minority government," he said. "There will still be some oil and gas royalty trusts and large business trusts.

"But will there be the same number in 2011 that there is now? There will be fewer, but still enough to justify the product," he said, adding the Canadian equity market boasts about \$220 billion in trusts and closed-end funds. "For that size of market not to have ease in calculating cost base is amazing."



Mike Wooding: Found the solution to a problem after retiring.