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We deliver knowledge, ideas and exceptional results.

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RRBB Announcements

RRBB Happenings

A number of our team members were very active this past month, participating in great events and organizations. First, Carole Baron CPA/ABV participated in the NJSCPA "Pay It Forward" presentation, where she helped high school students get the inside scoop about accounting career opportunities. Each year for the last several years, the NJSCPA has run this program in the fall to help educate high school students about accounting as a career. Their goal is to remove the stereotyped view of accounting as mundane or boring, and shed light on the exciting parts of it and the possibilities it can open up for a career.

Carole has been a part of the program for many years and gave a presentation at Middlesex High School again this year. She really enjoys helping the students know her enthusiasm for accounting and her reasons for deciding on it 35 years ago. She explains that she wants to be sure that the students see the potential to do so many great, meaningful, rewarding things within the field of accounting. It's not just crunching numbers alone, all day.

The U.S. Department of Labor projected a 22% growth in accounting careers between 2008 and 2018, and Yahoo! Education ranks an accounting degree as the third "hottest" degree and a safe bet for the future.

Thank you, Carole, for giving our young students a realistic picture of what it takes to succeed in accounting and the rewards accounting professionals can expect.

Also, Miriam Lopez from RRBB's Maplewood office, as Vice Secretary of The National Association of Cuban American Women (NACAW) in Union City, NJ, helped organize the annual dinner/dance fundraiser earlier this month. Each November, for the last 33 years, the association holds a dinner/dance fundraiser for the toy giving on Three Kings Day. According to the association, "This event is about passing on our Christian tradition to the new families. We put on a play [from the Gospel of Matthew] onstage, along with entertainment for the children. Then we have music for the adults and raffle off large gifts for the children."

The National Association of Cuban American Women (NACAW), first established in 1977, is a tax-exempt non-profit organization that provides a multitude of direct services for minority women. Membership extends from New York and Washington, D.C., to as far out as Florida and California. Among its many objectives, one of the organization's main goals is to increase awareness of education and career opportunities for women, as well as the numerous opportunities provided by local, state and federal agencies.

And Carl Schwartz, along with other sponsors, attended the 14th Annual New Jersey Jewish Film Festival in late October at the Maurice Levin Theater in West Orange, NJ. The Jewish Film Festival was premiering *Brave Miss World*, a film written about former "Miss World" Linor Abargil.

RRBB is a long-time sponsor of the New Jersey Film Festival, an organization founded in 2000 by Caren and Herbert Ford.



The NJJFF has become one of the premier Jewish cultural events in the state. They screen award-winning premieres and first-run Israeli, American and international films of Jewish interest, followed by post-screening discussions with filmmakers, clergy and other experts.

Carl was also busy being interviewed by *NJ Biz* newspaper discussing his expertise in the area of charitable giving. <http://www.rrbb.com/rrbbs-carl-schwartz-interviewed-pictured-article-nj-biz-newspaper-expertise-charitable-giving/>.

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Five Elements to a 2015 Business Plan

Keys to launching a successful new year

Every business is different, and, therefore, every business plan is different. But successful plans seem to have this much in common: They use foresight to meet the challenges of the upcoming year head-on and address both the strengths and weaknesses of the firm. Similarly, if a business has a skimpy plan—or even worse, no plan at all—the likelihood for real progress is diminished.

Generally, a business plan will include a statement of objectives, assets and liabilities; position in the market; future direction; critical issues; and so on. It may be helpful to gain insights from your professional advisers, but there is no “magic formula” for a plan’s creation. It can take whatever form you want.

Keeping that in mind, here are five significant elements you might include in a business plan for 2015:

1. Chart a clear path for the year. Start by examining where the business is right now, where you expect it to go and how you intend to arrive there. Of course, the plan should remain flexible enough to be modified; it is not etched in stone. For instance, new developments may require that you deviate from your initial thoughts. But most business decisions will be fundamentally sound when made within the context of a basic plan.
2. Encourage strategic action. Rather than confronting problems as they arise, be proactive. Although documenting tactics ahead of time requires in-depth analysis, this is usually time well spent. In contrast, a hastily conceived plan will likely be of little use. Some experts have argued that the process of developing the plan is actually more beneficial than having the plan itself.
3. Improve the flow of communication. Writing out a business plan will also force you to crystallize your personal vision for the company. At the same time, you should seek input from other key members of your business, such as your top-level managers. A back-and-forth dialogue may be especially useful in small firms where a strong owner usually takes the lead and rarely heeds the advice of others.
4. Make sure you have enough working capital on hand. This requires an examination of your revenue stream and expenditures. Focus on ways to increase accounts receivable and reduce accounts payable. If you will need to borrow money, know that a lender will likely want to refer to your business plan, featuring key projections, before it approves a loan for your firm.
5. Establish greater credibility. A comprehensive business plan may convince customers or clients to use your services or purchase your goods. It creates an air of legitimacy for the business. This may also satisfy a psychological need of yours to have the company taken seriously.

As mentioned above, the written document does not have to be final and absolute. It is preferable to put it in a digital file. Then be prepared to tinker with it and make modifications throughout the year when necessary. Again, your business advisers can provide guidance in areas where you are not experienced.

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Toe the Line on Required Minimum Distributions

Rules applying to qualified plans and IRAs

Are you thinking about withdrawing money from your qualified retirement plans or IRAs? According to the IRS, you might not have a choice. Under the rules for required minimum distributions (RMDs), many retirees are obligated to make a withdrawal or pay hefty tax consequences.

Considering what is at stake, you may make arrangements to take RMDs right now. You don't want to risk an inadvertent failure.

Background: Distributions from qualified retirement plans and IRAs are taxed at ordinary income rates now reaching as high as 39.6%. Also, you must pay a 10% penalty tax on distributions made prior to age 59½, unless a special exception applies (e.g., for distributions due to disability).

Finally, the RMD may result in liability for the 3.8% surtax on net investment income (NII). Reason: It increases your modified adjusted gross income (MAGI) for purposes of the surtax calculation, even though it is not included as NII.

Usually, you must begin taking RMDs from qualified plans and traditional IRAs (but not Roth IRAs) no later than April 1 of the year following the year you turn age 70½. For instance, if you turned age 70½ this year, the first distribution must occur by April 1, 2015. As a result, you will have to take another distribution for the 2015 tax year by December 31, 2015.

To avoid doubling up in one tax year, you might arrange to take your 2014 distribution this December. Once you pass age 70½, you must continue annual distributions year in and year out.

Note: There is an exception to these rules if you are still working on a full-time basis and you do not own 5% or more of the business. In this case, you can postpone RMDs from qualified plans (but not traditional IRAs) until your retirement.

The amount of the annual RMD is based on IRS life expectancy tables and the value of the account on the last day of the previous year. In other words, your RMDs for the 2014 tax year depend on the balance in your accounts as of December 31, 2013, even though you're taking out the funds almost one year later.

If you do not comply with these rules in a timely fashion, the IRS may impose a penalty equal to a staggering 50% of the amount that should have been withdrawn (or the difference between the required amount and a lesser amount actually withdrawn). The penalty is added to the regular income tax due for the RMD. Avoid potential problems by taking distributions well ahead of the December 31 deadline.

Reminder: It is easy to make mistakes in this area. When in doubt, consult a professional adviser regarding the RMD rules for qualified retirement plans and traditional IRAs.

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Back to School on Scholarships

Answers to key tax questions

If your child is expected to attend college or graduate school next year, you probably don't have to be told about the sky-high cost of pursuing higher education. You know all about it from personal experience. And it doesn't look like things will be changing much in the immediate future.

"At least my child has qualified for a scholarship to a prestigious university. That should take some of the sting out of the situation."

For those students who are gifted and fortunate enough to receive such a grant, the award can definitely help defray the cost

of attending school. However, some or all of the amount your child receives as a scholarship or a fellowship may be subject to federal income tax.

"I thought that scholarships and fellowships were completely tax-free."

Not exactly. This special exclusion in the tax code is limited to amounts used by degree candidates for "qualified tuition and related expenses" at an educational institution that meets certain basic requirements (e.g., it has a regular faculty and student body).

"Exactly what sort of higher education expenses are we talking about?"

The tax exclusion specifically covers (1) tuition and fees for enrollment and (2) fees, books, supplies and equipment required for study. In other words, the exclusion does not apply to amounts that are used for room and board.

"Can you show how the current tax rules work in an example using dollar figures?"

Hypothetically, suppose your daughter is awarded a \$10,000 scholarship to attend the school of her choice. Her tuition, books and supplies for the school year come to \$8,000, while room and board for the year is \$7,000. Because your daughter can show that \$8,000 is spent on qualified tuition and related expenses, only \$2,000 of the scholarship is taxable; of course, actual figures will vary.

"What if the scholarship is specifically earmarked for room and board?"

The designation controls for federal income tax purposes. For instance, if your daughter's scholarship specifically provided that \$7,000 was to be used for room and board, the full \$7,000 would be subject to tax. Keep this in mind when your child applies for scholarships.

"My son will receive a grant from his graduate school in return for providing teaching and research services. What are the tax ramifications?"

Any part of a grant that represents payment for past, present or future services is treated as taxable income. However, the special tax exclusion may apply to a qualified reduction in tuition received by an employee of the educational institution.

Despite a ruling by the National Labor Relations Board that student athletes may be treated as employees, a recent information ruling released by the IRS indicates that athletic scholarships will not be treated differently for tax purposes. Until further notice, college athletic scholarships will continue to be covered by the same general rules as other scholarships.

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Healthy Benefits of Wellness Programs

Taking steps to improve the workplace

The latest statistics are alarming: According to the Centers for Disease Control and Prevention (CDC), 69% of adults aged 20 years or older are overweight, while the CDC says that 35.1% of adults are obese. As concerns about the overall health of workers continue to grow, companies are turning to wellness programs to help stem the tide.

The benefits of such a program can range from reducing health insurance claims to decreasing turnover to boosting morale. It can also save your company money through lower insurance costs and higher productivity.

Due to budgetary restraints, you might need to produce maximum results with just a minimum outlay. Here are several steps that could be beneficial.

- Encourage employees to be physically active. This can be as simple and low cost as starting a walking club at lunch. Similarly, a company can provide discounts or some other enticement for using a local gym or fitness center, assuming it does not have one on the premises.

- Provide rewards for participation. Typically, a company may offer employees a reduction in health insurance premiums based on participation in health-related initiatives such as joining a gym. Do not expect employees to jump on the bandwagon on their own.
- Educate employees. For instance, a nonsmoking workshop may help employees curtail smoking activities or end them completely. Employees who attempt to quit smoking are usually on the honor system, but having others to talk to may help. If not already mandated, smoking on the business premises should be banned.
- Have vending machines stocked with nutritious foods. Do away with those that offer fattening snacks or high-calorie drinks. If your supplier won't go along with your plan, consider another source. This will show employees that you are truly committed to the cause.
- Conduct regular health screenings. Screenings might take place on an annual or even quarterly basis. A qualified health care professional can check each worker's weight, blood pressure, body fat, flexibility, etc. Then have the results reviewed by the appointed wellness program manager. Set individual goals based on the findings.

The cost of such a wellness program can vary widely, depending on such factors as the size and location of your company. However, for example, if you can get away with a plan costing \$50 a year per employee and you have only 20 employees, the annual cost is limited to \$1,000 a year, which is manageable for many small businesses.

Of course, there are no guarantees; in fact, some commentators claim that wellness programs often provide little, if any, good. Conduct some research to determine if such a program makes sense for your small business.

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Facts and Figures

Timely points of particular interest

Pregnant Pause—In a new employment law case, a woman was passed over for a managerial position at a high-end fashion retailer after returning from maternity leave. Instead, the firm hired an older woman who was past childbearing age. Subsequently, the younger woman sued the firm for pregnancy discrimination. Now a district court in New York is allowing the case to proceed.

IRS Data—In the new Statistics of Income (SOI) report released by the IRS detailing Tax Year 2012 (TY 2012), taxpayers reported \$9.1 trillion in adjusted gross income (AGI). This AGI figure represents a healthy 8.7% increase from the previous year. In addition, the SOI report indicates that taxpayers filed nearly 145 million tax returns for TY 2012, down 0.3% from the prior year.

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IRS Speeds Up Whistleblower Awards

The IRS recently announced improvements to its whistleblower program encouraging citizens to expose tax cheats.

Under the revised policy, claims should initially be evaluated by the IRS Whistleblower Office within 90 days of filing the complaint, and whistleblowers should be notified of a decision within 90 days of the date collected proceeds can finally be determined. Other changes are designed to speed up the process.

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