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We deliver knowledge, ideas and exceptional results.

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RRBB Announcements

RRBB Happenings



December was a very big month for RRBB and its history. One of the founding partners Al Levine, who has been with the firm for over 51 years, decided to retire. At our annual Holiday luncheon party on Friday, December 12th we honored Al, as he prepared to retire. Al has been with us for 51 years and has brought so much to the firm and offers so much wisdom from those years. He will be missed, but we wish you well Al on the next chapter! Dave Roth and Carl Schwartz, the firm's current managing partners, offered a brief look into some of the history of RRBB and Al Levine over those years. And, Al added some perspective by pointing out some of the many changes he and the industry has seen and experienced over these many years. Wow, it has been great Al, it doesn't seem enough to say this but as a start 'THANK YOU!!!'



December is usually a month of volunteering and charity, with the spirit of the season and giving back. This year was no exception. RRBB's Allison Valdes coordinated, for a sixth year, our participation in the United Way's program called "Gifts of the Season". Most of us at RRBB were able to donate money and buy gifts for some of the folks in our area who are less fortunate, through the United Way's outreach program. As Allison puts it, "For the past six years, I and my coworkers here at RRBB, have participated in the 'Gifts of the Season' program through the United Way. It is a great program because it enables lower income families to experience the joy of receiving gifts for the holidays that they may not have been able to afford otherwise. We as a group are fortunate enough to be able to help and we all feel it is very rewarding to give back and offer some hope. I am excited that this year we were able to offer some hands on help as volunteers during the collecting, receiving and then distribution of the thousands of gifts, to the receiving families. What a reward for us to see the some of the joy these gifts create."

Allison had help from Mike Mehaffey, Justin Ward, Ryan Fitzgerald, Danielle Ligouri and Matt Sullivan on the volunteer day, and all happily recommitted to helping regularly each year.

And let's not forget Brian Zucker this month, and all the charitable events he attended for some really great causes. The two notable events were the gala for the Little Baby Face foundation. Brian and his wife were at The Lighthouse at Chelsea Piers with client and friend John Leo of Primary Capital, LLC. They were pictured with Eric Trump and Tommy Bohanon of the NY Jets.

And, Brian took time out to attend a large gathering for the Navy Seal Foundation this month. Two of many great causes Brian and the firm support. See more on our website under news <http://www.rrbb.com/news-events/>.

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How to Audit-proof T&E Deductions

Follow strict record-keeping rules

Year in and year out, taxpayers claiming substantial deductions for travel and entertainment (T&E) expenses are prime audit targets of the IRS. This year should be no exception. But there is a way you can withstand any challenges on your return: Keep accurate records as required by the tax law. Here is a summary of the key tax rules for T&E expenses.

Part 1: Business Travel Expenses

If you travel away from home on business, you can deduct your transportation costs (e.g., airfare), your meals and lodging while you're away on business and related incidental expenses such as cab fare and tips. The deduction for meals is limited to 50% of the cost, while other travel expenses are fully deductible. However, it is important to keep records of your business travel expenses by contemporaneous diary or some other means. The records must show:

- The dates you left and returned and the number of days away on business.
- The destination of the business travel.
- The reason for the business trip.
- The cost of each travel expense.

In addition, keep receipts of all lodging expenses and other business-related expenses over \$75. Other special rules may apply to deductions for vehicles used for business driving, including deduction limits on so-called luxury cars. Note: In lieu of deducting actual business-related vehicle expenses for 2014, you may qualify for a deduction using a flat rate of 56 cents per business mile (plus business-related tolls and parking fees).

Part 2: Business Entertainment Expenses

Generally speaking, you can deduct qualified entertainment expenses that are either directly related to your business or associated with your business. The deduction is equal to 50% of the cost.

Directly related entertainment: Entertainment is considered "directly related" to your business if you actually discuss business during the entertainment and you have more than a general expectation of deriving a business benefit from the meeting. In other words, the entertainment can't be just for goodwill. Furthermore, the entertainment must take place in an atmosphere conducive to discussing business.

Associated-with entertainment: Entertainment is considered "associated with" your business if it precedes or follows a substantial business discussion. It's not necessary to talk about business matters during the entertainment. If the client comes from out of town, the business discussion can take place the day before or the day after the entertainment. Note that the cost of entertainment that is "lavish or extravagant" under the circumstances is not deductible.

Similar to business travel expenses, you must keep detailed records of your entertainment expenses. Generally, it is advisable to use a contemporaneous diary or log. The records for business entertainment must show:

- The date, location and nature of the entertainment.
- The amount spent on the entertainment.
- The business reason for the entertainment or the benefit you expect to derive.
- The person or people entertained and their business relationship to you.
- The details of the substantial business discussion (e.g., date, duration and nature of the meeting) for any associated-with entertainment.

Finally, remember to keep receipts or credit card statements for expenditures of \$75 or more. This limit has not been raised in years.

It is critical to observe the strict rules required by the IRS. With assistance from your professional tax advisers, you can assemble records that should be able to stand up to scrutiny.

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Work for Yourself? Four Retirement Plan Options

Choices abound for self-employed individuals

Thanks to several legislative changes over the years, self-employed individuals now have plenty of retirement plan choices on the table, just like the bigwigs in corporations, partnerships and limited liability companies (LLCs). Here are four popular items on the menu for self-employed individuals.

1. SEPs: Usually, a self-employed individual will adopt the IRA version of the Simplified Employee Pension (SEP), although a SEP-401(k) is a possible alternative. Any other employees must be covered. You generally contribute to the plan based on a percentage of compensation, up to the tax law limits, although annual contributions are not required. Deductible SEP contributions cannot exceed the lesser of 25% of the employee's compensation or \$53,000 in 2015. As with all qualified plans, the maximum compensation taken into account in 2015 is limited to \$265,000.

2. SIMPLE: A Savings Incentive Match Plan for Employees (SIMPLE) is only available to a business with 100 or fewer employees and no other retirement plan. You must make a matching contribution equal to a certain portion or percentage of the employee's contribution or a minimum nonelective contribution for all plan participants. As with SEPs, you can use an IRA or 401(k) version. For 2015, you can contribute up to \$12,500 to a SIMPLE (\$15,500 if age 50 or older). Bonus: You do not have to file an annual return for the plan.

3. Solo 401(k) plans: This plan may cover a business owner with no other employees (not counting your spouse). Generally, the rules and requirements for traditional 401(k) plans apply. For instance, a self-employed individual can defer up to \$18,000 in 2015 (\$24,000 if age 50 or older), while overall deductible contributions for this defined contribution plan, including matching contributions, cannot exceed the lesser of 25% of compensation or \$53,000 (\$59,000 if age 50 or older). Edge: Because the percentage part of the annual contribution limit does not apply to solo 401(k)s, this vehicle may be preferable to others.

4. Keogh plans: This "dinosaur" was initially designed to be the main qualified retirement plan for self-employed individuals, but it is still kicking around. There are two main types: defined-contribution Keoghs and defined-benefit Keoghs. The basic rules for these types of plans apply, but with a twist: The annual contribution limit is based on "earned income" instead of "compensation" and thus effectively reduces the percentage cap for self-employed individuals. In contrast with defined-contribution plans (see above), in 2015 a defined-benefit plan may provide an annual retirement benefit equal to the lesser of 100% of earned income for the three highest-paid years or \$210,000.

In summary: When choosing a retirement plan option for yourself, be sure to investigate the possibilities. Then you can make a well-informed decision that is suitable for your situation.

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Finding Tax Shelter for Winter Storm Damage

How to qualify for casualty loss deductions

If the national weather forecasters are right, we could be in for a brutal winter in many parts of the country. And even in areas that will not be especially hard hit, you still may suffer damage to your home or other personal property. Small consolation: At least you may be able to claim a casualty loss deduction to offset part of your tax liability.

Basic rules: A taxpayer qualifies for a casualty loss deduction if the damage is caused by an event that is "sudden, unexpected or unusual." This includes not only natural disasters—like severe winter storms—but also automobile collisions and frozen pipes bursting. The same basic rules apply to thefts of property. However, you cannot claim a deduction for damage occurring over a long period of time, such as damage occurring from a drought.

The deductible amount depends on whether the property damaged is personal or business. For personal property, the deduction is limited to the excess above 10% of your annual adjusted gross income (AGI) after subtracting \$100 for each casualty event.

Example: Your AGI for 2014 was \$100,000, and you suffered a loss to your home of \$15,100. In that case, your deduction is limited to \$5,000 ($[\$15,100 - \$100] - [10\% \text{ of } \$100,000]$).

In contrast, there are no tax law limits for business property. The full amount of the eligible loss may be deducted on your company's 2014 tax return.

The amount of the loss eligible for the deduction is the lesser of (1) the difference in the property's value before and after the casualty and (2) the adjusted basis in the property. But you must reduce the deductible amount by any proceeds you receive from your insurance or the government.

Faster results: If you own damaged property located in an area that is officially declared a "federal disaster area," you may be entitled to a quick tax refund. In that case, you can elect to deduct your casualty loss on the tax return for the prior year.

In other words, if you suffered a loss in a federally designated disaster area this year, you can obtain tax relief on the 2014 return you will file by April 15, 2015. If you file your 2014 return without making the election, you can file an amended return to recoup your losses more quickly.

Be aware, however, that the IRS often challenges casualty loss deductions. The best proof you can offer is photographs or videotapes of your property as it currently exists. In other words, obtain documentation before a casualty occurs. The visual proof can be compelling when coupled with snapshots of the property immediately after a casualty occurs.

To further support your position, you should obtain an independent appraisal of the damage. The appraisal itself is deductible as a miscellaneous itemized deduction, subject to a floor of 2% of AGI.

Rely on your professional tax advisers to maximize casualty loss deductions. Do not hesitate to ask for assistance.

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Five Ways to Improve Employee Reviews

Ideas to help better manage your business

The start of a new year is when many companies conduct face-to-face sit-down meetings with employees. If you are a longtime manager or business owner, you have probably been doing these employee reviews for years. But are they really doing anybody any good? If the process has become merely rote, with little thought or planning given to it, probably not. But you don't have to perpetuate the status quo.

Employee reviews may be more meaningful—to both employees and the employer—if certain improvements are made. Of course, developing a better program will take a little extra time and effort at first, but the eventual results may be well worth it. And once these procedures are in place, it should be easy to follow them in succeeding years.

What sort of improvements are we talking about? Here are five ideas that merit your consideration.

1. Spell out the ground rules. All too often, employees aren't exactly sure what the review is supposed to cover. For that reason, they tend to hold back. If pressed on a particular issue, they might become defensive or belligerent, or both. This is usually a waste of everyone's time. On the other hand, if you establish an agenda before meeting with your employees, you are likely to accomplish a lot more.
2. Remember there is beauty in simplicity. Usually, the most effective reviews are the ones that concentrate on a single purpose. The primary goal should be to try to help each employee realize his or her potential. Don't get sidetracked by peripheral issues.
3. Encourage an open dialogue. The review should not be a one-way street. By giving employees a chance to express their opinions, you are more likely to resolve any problems. Instead of dwelling on what has already occurred, focus on ways to avoid problems in the future.

4. Offer constructive criticism in small doses. Employees will be turned off if you immediately confront them with a laundry list of complaints. For example, don't wait until the review to tell an employee that he or she is spending too much time on personal business. Those types of problems should be addressed when they occur. Reserve this time for an overall evaluation.

5. Be organized and disciplined. Prior to the review, prepare a list of items you want to go over. Jot down a few notes under each heading. As you proceed, you can check off the items you have discussed to make sure you have covered the most important points on the list.

If all you do is go item by item on an appraisal form, there is usually little, if any, benefit to be gained. Your employees will quickly recognize the difference between a perfunctory review and a substantive one. Assuming you hold employee reviews only once a year, make them count.

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Facts and Figures

Timely points of particular interest

Telephone Scam—The IRS is warning taxpayers about a new scam. How it works: Someone calls on the telephone and identifies himself or herself as an IRS representative. (If you have caller ID, it shows up as the IRS.) Then you are threatened with losing your driver's license, being deported or being arrested if you do not pay your taxes immediately. Know that the IRS never initiates contact about a tax matter over the telephone.

Local Lodging—Generally, you cannot deduct lodging expenses unless you are "away from home" on business. But now the IRS has issued new final regulations allowing for certain other exceptions. For instance, the new regulations may permit deductions for local lodging expenses when taxpayers attend conferences and seminars at a hotel and circumstances are not conducive to going back home.

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Should You Give Thanks?

It's very rare that you can get something for free without paying taxes as a result.

Latest example: In a new case, a taxpayer used 50,000 of the "thank-you points" he received for opening a bank account to buy a round-trip airline ticket. The Tax Court said that he owes tax on the value of the ticket. Reason: It's akin to receiving taxable interest income.

At least you can still receive tax-free airline mileage when you take trips on behalf of your company.

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