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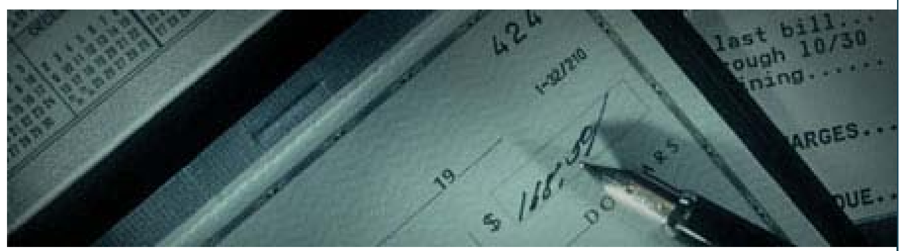

RRBB Announcements

Client Highlights

A couple of long-time RRBB clients and friends found themselves getting some good press recently.

First, TherapeuticsMD (TXMD) and its founder and CEO Rob Finizio were in the *South Florida Business Journal*, in their Executive Profile section. Rob was interviewed on the idea of assembling a top-notch executive team. Among much great bits of wisdom Rob says, “If you love your job, you’re doing something right.” He has worked with a motto for building a great team: “Take a 12th grader, and put him or her back in third grade.” Rob said, “You want experienced people who know what they’re doing, and you want to incent them to be successful.” Click the link to see the entire interview from the *South Florida Business Journal* http://www.bizjournals.com/southflorida/print-edition/2015/01/30/rob-finizio-on-assembling-a-top-notch-executive.html.

Second, RRBB’s long-time client and friend John Leo and his Primary Capital, LLC, have been in the news several times lately. He was interviewed by *Opportunist* Magazine recently regarding his role as chairman and president of Primary Capital and the successful track record they have compiled over two decades. He talked about their mission as a broker–dealer to serve both small- and mid-sized companies with funding needs, advisory to management and their role as an outlet for liquidation of low-priced securities and restricted shares. He also highlighted Primary Capital as a platform for entrepreneurial financial advisors. It is an impotant and insightful interview. Take a look at it on the *Opportunist* Web site http://opportunistmagazine.com/primary-capitals-john-leo/.

John has also seen some press from his work with the Association of Securities Dealers, an organization looking to work with the SEC and FINRA to create a better regulatory environment that enables and does not inhibit compliant business in the securities industry.

RRBB Happenings

How about the coincidence of birthdays in January at RRBB? January 28th saw three birthday celebrants, both managing partners Carl Schwartz and Dave Roth, as well as Karen Zabinski. That was a big day. And a few days later, Pat Valdes and Brian Bauwens shared a birthday on January 31st.

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Nailing Down Deductions for Charitable Gifts

Observe strict 2014 tax return requirements

If you are like many taxpayers, one of the biggest tax deduction items on your return is charitable donations. But deductions are not automatic if you do not have the proper records to back up your claims. Here are several important reminders for the current tax filing season:

Monetary contributions: Deductions for all monetary gifts, regardless of the amount, may be disallowed if the donor does not maintain either a bank record—including a cancelled check, bank statement or credit card statement—or a written communication from the charity indicating the donor's name, contribution amount and date of the contribution. Technically, this covers everything from million-dollar grants made to colleges or hospitals to spare change donated during the holiday season.

Contributions of $250 or more: The IRS also requires charitable donors to obtain a written acknowledgment from a charitable organization for gifts of $250 or more. The acknowledgment must be obtained by the time you file your tax return. It should include the amount of the check or cash donated, a detailed description of any property that was donated, and the value of the benefit received if any goods or services were provided. Key exception: You don't have to establish a value for "intangible religious benefits." Contributions made through payroll deductions may be substantiated by pay stubs or a Form W-2. Note: Substantiation is not required if the donee organization files a return with the IRS providing the information to be included in an acknowledgment.

Quid pro quo contributions: If you make a "quid pro quo" contribution (i.e., a contribution made partially or fully in exchange for goods or services) for an amount above $75, you must obtain a good faith estimate from the charity detailing the value of the benefit received. For example, say you attend a fundraising dinner where the tickets cost $100 apiece and the dinner is valued at $40. The charity must provide a written statement limiting the deductible amount to $60 per ticket. However, a written statement from a charity is not required if you receive token goods, minimal services or intangible religious benefits in exchange for your donation.

There are several other key points to keep in mind. For example, if you gave charitable gifts of property exceeding $500 in 2014, additional information must be attached to your tax return. If your donation for noncash property exceeds $5,000, you must also provide an independent appraisal of the property's value. Note: The cost of the appraisal is deductible as a miscellaneous itemized deduction subject to the usual tax law floor of 2% of adjusted gross income (AGI).

Finally, be aware that certain itemized deductions—including those for charitable contributions—are reduced for high-income taxpayers based on modified adjusted gross income (MAGI). Contact your professional tax advisers for details.

In summary: The recordkeeping rules for charitable donations are tough with a capital T. However, if you have the proper documentation, you may be able to claim top-dollar deductions on your 2014 return.

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Five Challenges Ahead for Small Businesses

How to prosper in a changing environment

It was not long ago that there was no Internet and only international spies had cell phones. The changes occurring these days are happening at breakneck speed, and small businesses are hard-pressed to keep up. However, it is important to adapt to the latest developments and incorporate them into your business planning.

What sort of changes are we talking about? Here are five prime areas worthy of your attention in 2015:

1. Legal issues: Laws continue to be enacted and evolve as they are interpreted by the courts, so small-business owners must fine-tune operations accordingly. In recent years, we have experienced a massive new health care law (with an uncertain status before the Supreme Court upheld its validity), increases in consumer protections, benefits provided to employees married to same-sex partners—due to a landmark U.S. Supreme Court case—and revisions to intellectual property rights. Also, note that state law changes, as well as those on the federal level, may affect small businesses.

2. Technology: As alluded to above, technology has changed the way we do business. Don't expect the pace to slow down. Savvy businesspeople will aim to keep abreast of technological advancements ranging from new production techniques to improvements in software. Learning how to embrace and accommodate the new technology can give your business a competitive edge while laggards are left in the dust.

3. Marketing: The marketing "game" has changed drastically over the years. For one thing, different approaches are now available due to technology, such as the ability to advertise online and use Web sites as marketing tools. Also, small-business owners should be attuned to changes in customer tastes and preferences, as well as be able to accentuate strengths and minimize the weaknesses of their organization. It may be helpful to think outside the box.

4. Financing: Generally speaking, it is not as easy for a small business to arrange financing as it was toward the end of the last century. In this current business environment, you must go the extra mile when presenting your case to available lending authorities or trying to encourage investment from other sources. This means conducting thorough research and analysis of the main targets. Do what you can to stand out in a crowded field. It may help to customize your business plan and documentation to suit each potential funding source.

5. Taxes: One constant is that tax laws will keep changing. For instance, Congress just enacted new tax extenders legislation (see "New Law Renews Expired Tax Provisions," page 3) while the IRS keeps churning out new rulings and regulations, and the courts regularly chime in with significant tax-related decisions. To complicate matters, comprehensive tax reform for the business sector remains a hot-button issue, although no consensus has been reached, further muddying the waters.

Fortunately, you don't have to go it alone. With your business advisers at your side, you can meet the new challenges head-on and thrive in this ever-changing business world.

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New Law Renews Expired Tax Provisions

One-year extension retroactively approved

After lengthy debate, Congress finally approved a laundry list of "tax extenders" before it adjourned in 2014. But the respite is only temporary. The Tax Increase Prevention Act of 2014 (TIPA)—signed into law on December 19, 2014—applies retroactively to the beginning of 2014 but lasts for just one year. Thus, Congress is already reviewing these measures for 2015.

TIPA applies to a wide range of provisions for individual and business taxpayers. Some of the most popular tax breaks include the following:

ABLE Act Opens Doors

Comparable to the way Section 529 programs work for college savings, the Achieving a Better Life Experience (ABLE) Act, which was attached to the new tax extender law, authorizes states to set up programs to benefit disabled individuals. A special account may be used to pay qualified expenses—such as housing and medical expenses—on a tax-free basis. Furthermore, the ABLE Act allows you to switch investment choices in a Section 529 account twice a year, rather than just once. These changes take effect in 2015.

- The new law preserves the maximum Section 179 allowance of $500,000 for qualified property placed in service in 2014 with a phase-out threshold of $2 million. It was scheduled to drop to $25,000, subject to a $200,000 threshold.

- A business may be entitled to a 50% bonus depreciation deduction for qualified property placed in service in 2014 (extended through 2015 for certain property).

- An individual can deduct state and local sales taxes in lieu of state and local income taxes. This optional deduction may be based on an IRS table or actual receipts.

- Some parents of college students can deduct tuition and fees up to a maximum of $4,000. The deduction is determined by your modified adjusted gross income (MAGI). No deduction is allowed for joint filers with MAGI above $160,000 ($80,000 for single filers).

- If you are age 70½ or older, up to $100,000 of IRA funds can be transferred tax-free to a charity in 2014. The transfer counts as a required minimum distribution (RMD) for IRA purposes. RMDs are required after reaching age 70½.

- Generally, a research credit is available for 20% of the excess expenses for the year over a base amount or a simplified credit based on 14% of the amount exceeding half of the average for the prior three tax years.

- Homeowners can exclude tax normally resulting from a mortgage debt cancellation or forgiveness of up to $2 million for a principal residence.
- The tax exclusion for mass transit benefits in 2014 remains at $250 per month, instead of dropping to $130 per month.
- Investors in qualified small business stock (QSBS) may exclude 100% of the gain from selling QSBS acquired before 2015 if held more than five years. The tax exclusion was previously limited to 50% of the QSBS gain.
- Taxpayers may use a faster 15-year depreciation period for qualified leasehold improvements, restaurant buildings and retail improvements placed in service in 2014. Normally, write-offs must span a total of 39 years.
- A business may claim a tax credit for hiring workers from certain disadvantaged groups or qualified veterans.
- Individuals may benefit from a 10% residential energy credit up to a maximum of $500. Other special limits may apply.
- Teachers may deduct up to $250 of out-of-pocket classroom expenses above the line on 2014 tax returns.

This is just an overview of the new tax extender law. TIPA extends numerous other provisions, while a handful—including credits for plug-in electric vehicles and health coverage for displaced workers—were left out of the mix. Obtain professional guidance for your situation.

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When to Start Saving for Retirement

There is no time like the present

If you are established in a job or operate your own business, when should you start saving for retirement? Although there are numerous aspects to consider and complications in certain situations, the short answer is relatively simple: immediately!

If you have recently entered the workforce, the sooner you begin a program of retirement saving, the better. If you are already in the midst of your career, you should not delay any longer. And if you are nearing the traditional time for calling it quits, better late than never.

Just witness the power of tax-free compounding of funds set aside in a qualified retirement plan account such as a 401(k). Assume that you can contribute $10,000 a year, and you earn an annual return of 8%. If you have only 10 years until retirement, you will accumulate $151,069. If you figure you will not be retiring for another 20 years, you can pile up $477,215 in savings. And if your projected retirement is 30 years away, you will have accumulated a staggering $1,181,340!

Of course, sometimes life can get in the way of retirement savings. For example, you might not be able to annually contribute as much as you would like due to a monthly mortgage, the need to help pay for your children's college educations, or health issues or other unforeseen circumstances. Furthermore, if you are facing a mounting debt burden, it is generally recommended that you address that first.

Once you have figured out the "when" of retirement saving, it is time to focus on the "how." Typically, you may be eligible to participate in a 401(k) plan or other qualified employer plan where your contributions can grow without any tax erosion. The maximum 401(k) deferral allowed for 2015 is $18,000 ($24,000 if you are age 50 or older). In addition, your employer may provide "matching contributions" up to a stated limit.

Other plans have different sorts of annual limits. See your professional advisers for more details.

Another idea is to supplement an employer-based plan with contributions to a traditional IRA or Roth IRA, or both. The combined limit for IRA contributions in 2015 is $5,500 ($6,500 if you are age 50 or older). Similar to qualified-plan contributions, these amounts can compound tax-deferred over time.

Finally, remember that you do not have to stop saving for retirement once you have retired. As evidenced by increases in life expectancies, your funds may have to carry you farther than you initially envisioned. Thus, there is no reason that you cannot continue to invest wisely throughout your retirement.

Reminder: The need to save for retirement cannot be overemphasized. Do not be a procrastinator. Make this one of your top priorities this year.

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Facts and Figures

Timely points of particular interest

Mileage Rates—The IRS recently announced changes in the standard mileage rates used in lieu of actual driving expenses in 2015. The flat rate for business driving jumps to 57.5 cents per mile (up from 56 cents in 2014), plus business-related tolls and parking. Conversely, the rate for medical and moving expenses falls to 23 cents per mile (down from 23.5 cents in 2014). The rate for charitable driving remains at 14 cents per mile.

Medically Speaking—Under current law, the medical expense deduction for most taxpayers is limited to the excess above 10% of adjusted gross income (AGI), often making it difficult to qualify for deductions. But certain retirees get a tax break. The deduction floor—which was raised in 2013—remains at 7.5% of AGI for individuals age 65 or older through 2016.

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Time Ticks on S Corporation Election

The deadline for making an S corporation election for the 2015 tax year is March 16. A switch from C corporation status can avoid double taxation that applies to earnings received by the company and amounts paid personally to the business owner.

Caveat: This election is not for everyone. Many other factors come into play. Have an in-depth analysis conducted for your situation.

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