



SOMERSET OFFICE
Phone: 908-231-1000
MAPLEWOOD OFFICE
Phone: 973-763-6363
Email: info@rrbb.com
www.rrbb.com

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RRBB Announcements

RRBB Happenings

Carl Schwartz was on hand for the March 15th opening preview and kick-off reception for the 2015 New Jersey Jewish Film Festival in West Orange. RRBB Asset Management was again one of the sponsors of the Festival, and Carl was on hand to help get it started for this year. One of the headline films for the 2015 Festival is a documentary by Nancy Spielberg (the sister of famed film director Steven Spielberg). The film, called "Above and Beyond," is a documentary about US fighter pilots who, after World War II, went to fight for Israel in the first Arab-Israeli war and formed the beginnings of the Israeli Air Force.

Miriam Lopez helped the National Association of Cuban American Women celebrate another great event. On March 15th, Miriam participated in the annual celebration of International Women's Day with the NACAW, an organization that awards the Elena Mederos Award to Hispanic women who have contributed to the advancement of the Hispanic-American community. Miriam said it was another wonderful celebration.

And Rob Quick and his wife were in attendance at a gala for Alternatives, Inc., in mid-March. This organization "provides comprehensive services to individuals/families with special needs to enable them to reach their highest level of independence and integration into the community." The word is that a lot of fun was had, and there may be some pictures around of Rob in a pretty funny (looking) hat and glasses.

Finally, as you all know, we are in the peak of "tax season" and happy to report that things are busy but good. And if you still need to meet with us, reach out. We are ready.

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Ups and Downs of the Section 179 Deduction

Enhancement limit for 2014, reduction for 2015

For small-business owners who frequently buy new equipment and other assets for their business activities, the new tax law enacted at the end of 2014—the Tax Increase Prevention Act (TIPA)—provides a temporary reprieve. Signed on December 19, 2014, TIPA extended a Section 179 deduction retroactive to January 1, 2014. But this provision expired—again—on December 31, 2014. As things now stand, the maximum deduction will fall precipitously in 2015 unless Congress takes further action.

Background: Under Section 179 of the tax code, a taxpayer currently can elect to deduct, or "expense," the cost of qualified business property purchased and placed in service during the year. After the maximum allowance was quadrupled from \$25,000 to \$100,000 by a 2003 tax law, inflation adjustments pushed the limit even higher. Subsequent legislation increased the maximum deduction to its high point of \$500,000.



Under the new law, the maximum \$500,000 deduction is extended through the end of 2014. For example, if you acquired qualified equipment last year for \$300,000 and placed it in service before 2015, you can write off the entire \$300,000 in 2014. Absent any action by Congress, the maximum allowance will plummet to \$25,000 in 2015.

In addition, TIPA preserved the 50% bonus depreciation on the cost of new qualified property placed in service last year. The bonus depreciation tax break generally expired after 2014, along with the enhanced Section 179 deduction. The two tax breaks may be used in conjunction for tax year 2014.

The Section 179 election is open to most business taxpayers, but two important rules may limit your annual deductions.

1. Annual business income limit: The expensing deduction cannot exceed the net taxable income from all the businesses you actively operate. For this purpose, net income is figured without regard to expensing, the 50% deduction for self-employment tax, and any net operating loss (NOL) carryforwards or carrybacks.
2. Annual dollar cap: If the total cost of qualified business property placed in service during the year exceeds an annual threshold, the maximum expensing allowance is reduced on a dollar-for-dollar basis. This threshold has been increased in step with the changes in the maximum Section 179 allowance. The threshold for 2015 is currently set at only \$200,000 (down from \$2 million in 2014).

For example, say that a business buys a total of \$205,000 of equipment in 2015. Under current law, the maximum Section 179 allowance will be reduced to \$20,000 (\$25,000 minus the \$5,000 exceeding the \$200,000 threshold). While this reduction rule does not affect many small businesses, you should still be aware of the possible consequences. Keep it in mind as the year progresses.

Taxes are an important factor when you consider equipment purchases. Make sure you are aware of how the two tax law limits may affect your Section 179 deductions. Also, stay on top of any developments regarding the maximum allowance. You can rely on your professional tax advisers to provide guidance before you proceed.

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Seven High-Tech Marketing Methods

Ways to grow your business in 2015

We have come a long way from the days when marketing essentially was putting an advertisement in the yellow pages and waiting for the telephone to ring. Businesses of all sizes are using a wide variety of high-tech strategies to lure customers or clients. Here are seven ideas to consider. (Note: Any specific services mentioned in this article are not intended to be endorsements.)

1. Take to social media. Utilize networks such as Twitter, Facebook and LinkedIn to drum up business. You might offer incentives such as deep discounts, free samples or hands-on trials to generate online exposure. Make a concerted effort to “steal” business from competitors, including retailers with a strong advertising presence.
2. Go mobile. Most smartphones contain built-in GPS receivers. Take advantage of mobile and location-based marketing services that can authorize discounts and special offers via text messages, pop-up alerts or e-mails. You can also integrate marketing efforts with other services connecting to specific stores or locations.
3. Unlock the code. Smartphones and tablets may allow users to scan in Quick Response (QR) bar codes. This symbol can generate instant savings or provide online access to vital information. Add the QR code to signs, print ads, business cards and brochures—the works. That way, consumers can easily “grab” coupons, download brochures or menus, and compare prices.
4. Rely on referrals. The old-fashioned referral concept still works in high-tech formats. For instance, you might recruit advocates by providing “once-in-a-lifetime offers” and rewarding direct leads with exclusive discounts, gifts or cash prizes. With

the help of available software tools, you can create a customized referral program for virtually any industry or profession.

5. Let's make a deal. Another idea is to combine a blockbuster offer with regular distribution through a deal service such as Groupon or Amazon Local. This enables a business to target an audience for its products. Well-known bargain-hunting services—including FatWallet and RetailMeNot—can help you reach out to cost-conscious consumers.

6. Key in keywords. Regardless of your budget, placing keywords on popular search engines such as Google and Yahoo puts you front and center. When coupled with geographic/demographic marketing, keywords and terms can be extremely effective. To maximize your efforts, use detailed search terms and phrases whenever possible.

7. Content is king. Certain e-mail marketing services (e.g., Constant Contact, iContact and Mad Mimi) let you send electronic newsletters straight to inboxes and enable content-sharing through social networks. Send out customized mailings in small quantities for free, and blast e-mails via social network platforms. Rely on content to provide links to discounts, online videos and other resources that can increase user activity.

These are just several ideas to consider for growing your business. Wake up to the latest opportunities.

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Tax Shelter in Vacation Home Rentals

Overview of complex tax rules

Whether it is a beach house, a cabin in the woods or some other place, a vacation home can be a valuable source of tax breaks, as well as rest and relaxation. For example, you can deduct property taxes along with your mortgage interest (assuming the combined acquisition debt of your main home and vacation home does not exceed \$1 million).

Hypothetical situation: You decide to rent out your vacation home this upcoming summer when your family is not using it. The rental income you will receive can offset some of the costs of ownership. Of course, this income is taxable, but you may claim offsetting deductions for a portion of your expenses.

Now suppose you run a loss on the rental—your rental-related expenses (including mortgage interest and property taxes allocable to the rental) exceed the income you receive. Under the passive-activity loss rules, you can use losses from a rental activity only to offset income from other passive activities. If you are an active participant in the rental (e.g., you make management decisions), the tax consequences depend on your income level and the extent of your family's personal use.

- If your income does not exceed \$100,000, you can use the loss to shelter up to \$25,000 of your salary and other income, as long as you keep your personal use to a minimum. Your family's personal use cannot exceed the greater of 14 days or 10% of the rental time. Downside: When you keep your personal use below these limits, you lose a portion of your mortgage interest deduction (the portion allocable to your personal use).
- If your income exceeds \$150,000, the tax law says you cannot qualify for the \$25,000 loss write-off. In this case, your total rental deductions cannot exceed your rental income, regardless of the amount of your personal use. However, if your personal use is greater than 14 days or 10%, you receive an additional deduction: the portion of your mortgage interest you do not claim as a rental expense.
- If your income is between \$100,000 and \$150,000, things are not so clear-cut. The \$25,000 loss write-off is gradually phased out in this income range. The closer you are to the \$150,000 level, the more likely it is that you will get little in the way of a loss write-off. So you will probably want to increase your personal use—the same strategy for those with incomes above \$150,000. Result: You will be able to deduct more of your mortgage interest.

On the other hand, if you are closer to the \$100,000 level, most of your loss write-off will be intact. So you should try to keep your personal use below the 14-day/10% mark.

Note: There is a unique tax opportunity if you rent out the home for two weeks or less during the year. Although no expenses are deductible, all of the rental income is effectively tax-free.

Reminder: This is just a brief overview of the basic tax rules. This area is extremely complex, so be sure to seek professional guidance in this area.

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Don't Be Swept Under by the Nanny Tax

Tax obligations of a household employer

Do you employ a household worker—perhaps a babysitter or a housekeeper—on a regular basis? Much to your surprise, you may be treated as an “employer” for federal tax purposes. As a result, you could face certain obligations you were not aware of.

These tax responsibilities are often collectively referred to as the “nanny tax” because of several high-profile cases involving wealthy taxpayers with nannies. But the nanny tax is not limited to the upper crust. It can affect people from all walks of life.

Background: The tax law requires you to pay employment taxes if the wages paid to a household employee exceed an annual threshold. The threshold for 2015 is \$1,900 (the same as it was in 2014). The nanny tax encompasses the following three taxes:

1. Social Security tax: The 6.2% Old Age Survivor and Disability Insurance (OASDI) portion of Social Security tax is withheld from an employee's pay and matched by an employer up to the amount of the annual wage base. The wage base for 2015 is \$118,500 (up from \$117,000 in 2014). Also, an employer must withhold and match the 1.45% hospital insurance (HI) portion of the tax.

For example, say you pay a housekeeper \$200 a week with two weeks off for a total of \$10,000. The Social Security tax both you and the housekeeper owe is \$765 (\$620 OASDI tax + \$145 HI tax).

2. Federal unemployment tax: An employer must pay a 6.0% tax on the first \$7,000 in wages, but this amount is normally reduced by a 5.4% credit. Thus, the effective net tax is 0.6% if all required state unemployment and disability taxes have been paid.

3. State unemployment and disability taxes: Typically, an employer is also responsible for its share of these state taxes and for withholding the proper amount on behalf of an employee. If these taxes are not withheld, the employer must pay them.

A worker is your “employee” only if you control the conditions. For instance, if you pay an agency directly, the agency is treated as the employer of the worker and is responsible for the taxes. Alternatively, if the worker controls how and when the work is performed and works for several households, he or she may be considered to be a self-employed individual. This typically occurs when the worker offers services to the general public and provides tools and supplies for the job. Self-employed individuals are responsible for their own employment taxes.

Finally, note that there are several exclusions. The nanny tax is not imposed for amounts paid to your spouse, your child under age 21, your parent (unless certain special conditions apply), or an employee who is under age 18 anytime during the year, unless providing household services is the employee's principal occupation.

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Facts and Figures

Timely points of particular interest

Constructive Receipt—In a new case, a taxpayer owned more than 21,000 shares of common stock in HCA, Inc., and physically possessed the stock certificates. After HCA merged with another company, she was entitled to receive \$51 per

share. Even though the taxpayer never surrendered the certificates prior to her death, the Fifth Circuit Court has affirmed that she owed tax under the constructive receipt rule.

Growing a Small Business—The Small Business Administration (SBA) offers a wide variety of programs designed to help small-business owners. The qualifications for each program are specific to the objective. For instance, the SBA can help facilitate a loan with a third-party lender, guarantee a bond or help find venture capital. Your business advisers can help you weigh the applicable options.

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How to Improve Company Morale

Are you looking to have employees perform at a higher level? Workers are usually more productive when morale is up. Consider these ideas:

- Find out what motivates your employees. Assign tasks accordingly.
- Give them work that is meaningful to the company's objectives.
- Provide the resources they need to do their jobs right.
- Create a team spirit within the organization.
- Keep lines of communication open.

Finally, as a business owner or manager, it is important that you set the proper tone.

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RRBB Accountants and Advisors

SOMERSET OFFICE
265 Davidson Avenue, Suite 210
Somerset, NJ 08873-4120
908-231-1000

MAPLEWOOD OFFICE
111 Dunnell Road
Maplewood, NJ 07040
973-763-6363

info@rrbb.com
www.rrbb.com

