RRBB ACCOUNTANTS + ADVISORS

We deliver knowledge, ideas and exceptional results.

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RRBB Announcements

RRBB Happenings

Thank you for another great (and busy) tax season! Thank you for your support and cooperation, as well as collaborative work through the rigors of tax preparation. Thank you, also, all of you who referred us new clients this year. And, for anyone who discovered someone who needs our help, after the fact, feel free to send them our way.

We appreciate your business.

Our clients are our best spokespeople. And, clients like you make doing business a real pleasure.

This past month, we announced exciting news that **Jose Torres** joined our firm and will be working specifically with our Public Company and Assurance Services group, as well as RRBB's Advisory Services group. Jose comes to RRBB from Centri Consulting, where he was a manager in their New York Business Advisory Services practice. There, he focused his efforts on a portfolio of clients in the insurance and financial services industries. Jose began his career with Ernst and Young and spent the last 15 years serving a variety of clients in the public and private sectors. His experience has been concentrated on both the Internal Audit and SOX functions, as well as functional support for accounting and finance departments.

With his experience and expertise, Jose is expected to help RRBB in the areas of Internal Audit, Financial Reporting, Process Design, Process Remediation and Project Management. One area of great focus is his work with publicly held companies on their Sarbanes-Oxley 404 compliance that establishes and evaluates a company's internal control processes and function.

His industry focus has been in financial services throughout insurance, banking, investment banking, settlement and clearing, broker dealers and credit and reporting, along with the specific areas of expertise including SOX, internal audit, financial reporting and, as mentioned above, in all these areas within financial services.

And **Justin Ward** and his wife welcomed their baby girl, Sarah Elizabeth Ward at 9:16 a.m. on Wednesday April 8, weighing in at 7 pounds, 8 ounces. Congratulations!!! (Yes, she arrived right at the height of tax season.)

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Busting Seven Common Business Myths

Don't fall into the usual traps

Much of what is typically said about running a business is true, but not all of it. Upon closer inspection, several long-standing "words of wisdom" may be debunked. **Case in point:** Here are seven common business myths that might be exposed over time.

1. The customer is always right. If this were so, very few business operations, if any, would be profitable. The fact of the matter is that the customer might be wrong sometimes, but the customer is still important. Listen to what customers say, and factor their input into your business decisions. But do not allow customer opinions to overrule logic or derail your business mission.

2. Build it and they will come. Even if you develop an innovative product, there is no guarantee that consumers will be lined up in the aisles to buy it. Of course, offering top-quality goods is one of the keys to success, but so are the methods of marketing and distribution. Do not overlook these critical aspects in your business plan.

3. Under-promise and over-deliver. The idea is that your company will be appreciated more by a customer if you set low expectations and subsequently exceed them. But the main problem with this axiom is that you have to attract the customer in the first place. If the bar is set too low, you might not have the opportunity to retain the customer. Do not undersell what your company can do.

4. It's all about the sales. Good sales numbers can be good indicators of where you are heading, but they do not necessarily mean that the company is profitable. It does not make sense to continue to pump up sales if the company keeps losing money. A better idea is to focus on cash flow and how to best manage it.

5. There is no "i" in team. Undoubtedly, teamwork can lead to success, but a viable small company often needs a strong leader at the helm. Do not confuse teamwork with the need to arrive at a consensus for every single decision. Although staff members must work together toward a shared goal, it is still up to the business owner to call the shots.

6. Offer a lower price than the competition. Low pricing can be seductive, but consumers usually want it to accompany high quality and good customer service. It is generally difficult, and not advisable, for a small company to compete on price alone. Instead, emphasize how the company's products or services can solve problems or fulfill needs.

7. You have to spend money to make money. In actuality, this phrase should read, "You have to spend money wisely to make money." Simply throwing money at a problem will seldom work and can end up being quite wasteful. Instead, spend your money carefully, and measure the results to determine when and where it is best spent.

Although there may be some kernels of truth in these seven statements, they should not be followed religiously. Use some common sense, and rely on your business advisers to help steer you in the right direction.

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Counting the 12 Days of Tax Scams

The IRS releases its "Dirty Dozen" list for 2015

Every year, the IRS issues a list of "Dirty Dozen" tax scams for taxpayers to watch out for. The list has not varied much in recent years, but this year the IRS posted a separate press release over 12 business days for each one. The following is a summary of the Dirty Dozen in the order of posting.

1. Telephone scams. Someone may pretend to be from the IRS or another government agency as a way of stealing money or your identity. Among the many variations, the caller might say that you owe money or you are entitled to a tax refund.

2. Phishing. The scammer sends an unsolicited e-mail or uses a fake Web site to coerce victims into providing personal and financial information. This often results in identity theft or other fraud.

3. Identity theft. This occurs when someone uses your personal information, such as your name, Social Security number (SSN) or other identifying information—without your permission—to commit fraud or other crimes.

4. Tax return preparer fraud. Most return preparers provide honest service to their clients. But some unscrupulous preparers prey on unsuspecting taxpayers, and the result can be refund fraud or identity theft.

5. Hiding income offshore. Numerous individuals have evaded taxes by hiding income in offshore banks, brokerage accounts or nominee entities and then using debit cards, credit cards or wire transfers to access funds.

6. False promises of inflated refunds. Scam artists routinely pose as tax preparers during tax time, promising large or unexpected tax refunds. They may use flyers, advertisements, phony storefronts or word of mouth to find targets.

7. Impersonating charitable organizations. It is common for scam artists to impersonate a charity to obtain money from taxpayers. Some may contact people by telephone or e-mail claiming to work for a charity or other official organizations.

8. False Form 1099s and W-2s. This is an illegal way to cut your tax bill. Typically, a Form 4852 (a substitute for Form W-2 or Form 1099-R) or a "corrected" Form 1099 is used to fraudulently reduce taxable income to zero. A similar scheme involves W-2s.

9. Abusive tax shelters. Sophisticated strategies may take advantage of the financial secrecy laws of some foreign jurisdictions and the availability of credit/debit cards issued from offshore financial institutions.

10. False income, expenses or exemptions. Another scam involves inflating or including income that was never earned as wages or as self-employment income on a tax return to maximize refundable credits.

11. Unauthorized fuel credits. The fuel tax credit is generally limited to off-highway business use or use in farming. Unscrupulous preparers may entice taxpayers to erroneously claim the credit to inflate their refunds.

12. Frivolous arguments. Promoters of frivolous arguments encourage taxpayers to make unreasonable claims to avoid paying the taxes they owe. The IRS is trying to thwart such schemes.

Reminder: The Dirty Dozen tax scams can trigger penalties and interest—even criminal prosecution. Use common sense in all your dealings.

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Cut Down on Employee Turnover

Practical ideas for small-business owners

It is a fact of life for small-business owners: You spend considerable time "investing" in an employee so that he or she meets your expectations through training and experience. Then, the employee suddenly leaves for another job, and you have to climb the learning curve all over again with a replacement. This frustrating process takes time and costs money.

How can you reduce employee turnover? Although there are no guarantees, one overall idea is to improve the general work environment. For example, every Friday afternoon, you might address some of the common concerns of your employees. Alternatively, you can try to schedule regular one-on-one meetings on a monthly or quarterly basis.

Some of the revelations from these meetings may surprise you. You may find that an employee is bored by the day-to-day routine of a job. Perhaps the level of compensation is an issue. Or maybe you need to spell out better guidelines for job performance. Still others may have special problems related to child care or other family obligations.

Keeping this in mind, here are several other practical suggestions for reducing turnover.

Offer new challenges. No one wants to stay in a rut. To avoid this problem, you may be able to emphasize an employee's strengths by creating new tasks. For instance, an innovative employee may be asked to look into new product development. This may require the transfer of a worker to a different department or group.

Sharpen the skills of employees through training seminars. These seminars allow workers to expand their duties and identify how their particular talents can best be utilized. If you don't have the resources for in-house sessions, you may be able to arrange for private seminars or courses at a local university.

Set flexible compensation standards. Obviously, it's easier to retain key employees if you pay them what they are worth. Compensation problems are often rooted in an inflexible company policy. For instance, an employee who puts in extra hours may feel frustrated by being tied to the same salary structure as those who work strictly from 9 to 5. **Result:** An employer may have to throw out "the book" on compensation levels.

If the salary structure can't be amended, your company may use other methods of compensation to retain valuable employees. A few examples are deferred compensation packages, stock options, bonuses, additional vacation pay or time off.

Tell employees what you expect of them. Of course, a business manager must be able to recognize and appraise the work an employee does. But his or her responsibilities don't end there. **Case in point:** Employees should know what is expected of them and what constitutes satisfactory or excellent performance. It may be necessary to write out practical guidelines and discuss them periodically with your employees.

This last idea should be an ongoing process that encourages communication between all parties. Otherwise, it might be a waste of time if employees do not receive any feedback from your discussions.

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Should You File an Amended Return?

Determine when it makes sense

Suppose you just discovered an omission on your 2014 federal tax return. Does this warrant an amended return? It depends.

Clearly, you should file an amended return if you owe the IRS more money as a result of an error, especially if you underreported income from interest, dividends, stock transactions and the like. Because the IRS receives matching Form 1099s from payors, it is likely that its computers will identify your name. And if it takes awhile for the IRS to catch the mistake, you will owe extra interest on top of your original tax liability. The IRS has three years to assess your return, but six years if income is understated by more than 25%. (There is no time limit if fraud is involved.)

However, the situation is not quite as clear if Uncle Sam owes you money. For example, you might have inadvertently missed a tax deduction or overstated your income. Some tax experts believe that filing an amended return opens up your original return for closer scrutiny. **Rule of thumb:** If there is a minuscule amount of money at stake, it may not be worth the effort, but you should file an amended return if you stand to reap a windfall. Barring extenuating circumstances, here are several common examples.

- **Estimated taxes:** When you first filed your return, you may have asked the IRS to credit an overpayment toward your 2015 estimated tax liability. But suddenly you need the extra money to pay for an emergency. Secure a refund instead by filing an amended return.

- **Casualty losses:** If you suffer a casualty loss in a federally designated disaster area this year, you don't have to wait until you file your 2015 return to receive tax benefits. A special tax law rule allows you to claim a loss on the prior year's return. File an amended return for 2014 to receive tax benefits quickly.

- **Sales tax:** For 2014 returns, you can choose to deduct state sales tax (in lieu of state income tax) based on an IRS table or the state income tax you paid. But you can add the sales tax paid on certain big-ticket items, such as cars and boats, to the table amount. Amend your return to deduct the sales tax if the add-ons tip the scales the opposite way.

- **Separate returns:** You and your spouse may have filed separate returns to take advantage of high medical or miscellaneous expenses for one of you. But now you discover that you would have saved more tax overall by filing jointly. You can both file amended returns in this situation, but you cannot do things the other way—file separately after filing an original joint return.

Seek professional assistance before filing an amended return on your own. Consider all the implications.

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Facts and Figures

Timely points of particular interest

Marketing Checkup—With midyear fast approaching, this is a good time to check whether your marketing strategies are meeting your objectives. Conduct a preliminary assessment, and then dig deeper by conducting a marketing audit. Don’t be afraid to venture into this area if you are fearful of what you will find or how your firm is lacking. Devote the time needed to get some useful information.

Excess IRA Contributions—For the 2015 tax year, the maximum contribution allowed for a traditional IRA or a Roth IRA, or any combination of the two, is $5,500. This limit is increased to $6,500 if you are age 50 or older. If you exceed either limit this year, the IRS may impose a 6% excess contribution penalty, plus you must withdraw the excess amount from your IRA.

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Guilty Until Proven Innocent

Generally, joint filers on a tax return can be held jointly or severally liable for tax understatements, meaning that the IRS can come after either one or both parties. But you may not be held liable if you qualify as an “innocent spouse” under the following rules:

- You must have filed a joint return that has an understatement of tax.
- The understatement must be due to erroneous items of your spouse.
- You must establish that, at the time you signed the joint return, you did not know—or have reason to know—there was an understatement.
- Based on all the facts and circumstances, it would be unfair to hold you liable.

Historically, the courts have been reluctant to extend innocent spouse relief. It is better to understand all the aspects of your return.

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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