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Four Ideas to Reduce Employee Turnover

Make improvements in the work environment

Common situation: A small-business owner invests considerable time and money training an employee to meet certain expectations. Then the employee suddenly leaves for another job, and the employer has to start the entire process all over again. And the owner may go through two or three more candidates before finding a suitable replacement.

What can you do about it? Although there is no foolproof method to address the turnover problem, one idea is to improve the general work environment. For example, on the last Friday of each month, you might focus on some of the common concerns of your employees. Alternatively, you could schedule one-on-one meetings on a regular basis.

Some of the revelations resulting from these meetings may surprise you. You may find that an employee is simply bored by the day-to-day routine of a job. Perhaps the level of compensation is an issue. Another possibility is that you need to provide better guidelines for job performance. Finally, others may have special problems relating to childcare or other family obligations.

Keeping that in mind, here are four additional practical suggestions to reduce employee turnover:

1. 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 might be asked to look into new product development. This could require the transfer of a worker to a different department or group.

2. Hone employee skills through training seminars. These seminars allow workers to expand their duties and identify how their particular talents can best be utilized. If you do not have the resources for in-house sessions, you may be able to arrange for private seminars or courses to be offered at a local university.

3. Set flexible compensation standards. Obviously, it is easier to retain employees if you pay them what they are worth. The problem often is 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 9-to-5. Result: An employer may have to throw out “the book” on compensation levels.

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

4. Let employees know 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 do not 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 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 wasted *if employees do not receive any feedback from your discussions.*

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Tax Angles for Self-employed Individuals

Numerous tax aspects to consider

Being self-employed has its advantages and disadvantages. As the person in charge of your business affairs, you can set your own schedule and generally have more flexibility than someone in a 9-to-5 job. On the other hand, you are fully responsible for the bottom line, often with little or no backup to rely on.

What about taxes? There are a number of special considerations for self-employed individuals.

Generally, you are required to file an annual return and pay your tax liability in quarterly installments, as opposed to regular employees who have these amounts withheld from their paychecks. This includes requirements to pay both income tax and self-employment tax, the equivalent of federal payroll taxes owed by employees.

The amount of tax you owe depends on your self-employment income. Essentially, this is the business income minus your expenses, used to determine your profit or loss. If you show a profit, you owe income tax and self-employment tax on the amount. Conversely, you may be able to deduct a loss against your other income for the year, subject to certain rules and limits.

For 2017, the rate for self-employment tax is 15.3% on the first $127,200 of self-employment income and 2.9% on self-employment income above that annual base. This is double the rate for regular employees, but half the self-employment tax you pay for the year is deductible on your personal tax return.

The quarterly due dates for paying tax throughout the year are the same as the due dates for other taxpayers such as retirees. These dates are

- April 15 for the first quarter;
- June 15 for the second quarter;
- September 15 for the third quarter; and
- January 15 of the following year for the fourth quarter.

Note: If the due date falls on a weekend or holiday, it is moved to the next business day.

In addition to these basic tax requirements, self-employed individuals may realize certain tax benefits. For instance, if you work out of your home, as many self-employed individuals do, you may qualify for home office deductions because the home is the principal place of your business. This enables you to write off expenses directly related to your home office plus a portion of other home expenses—such as utilities, repairs and insurance—based on the business percentage use of the home. Regular employees who work from home at night and on weekends typically do not qualify for this deduction.

Similarly, if you use a vehicle to drive to and from business activities, you may deduct costs relating to the vehicle, based on the business percentage use. Be aware that there are strict recordkeeping rules and other restrictions in this area, but vehicle deductions can result in significant tax benefits if you toe the line.

Finally, you could claim other tax breaks available to other businesses, including deductions for your “ordinary and necessary” business expenses. Again, special rules and limits may apply.

This is only a general overview of some common tax aspects for self-employed individuals. Obtain expert advice for your particular situation.

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Key Rules for Unemployment Benefits

Vital to both employees and employers

Have you ever been fired or had to fire an employee? In that case, you or that individual may be entitled to receive unemployment benefits. Accordingly, both employees and employers can have a significant interest in these rules.

Background: The system for unemployment benefits (also referred to as “unemployment compensation” or “unemployment insurance”) is a program operated jointly by the federal government and the individual states. The program provides financial support to qualified workers via taxes assessed to employers.

Significantly, the exact rules for any particular situation will depend on the applicable state law. Although the details of state laws may vary, the particulars are often similar. Keeping that in mind, this article provides some general guidelines.

For starters, to be eligible to receive unemployment benefits under state law, an individual must have been employed for a certain period of time, earned a minimum amount of wages before becoming unemployed, remain available for work immediately and be physically able to work. Note that part-timers and temporary workers may qualify if they meet state law requirements.

Typically, a worker is in line to receive benefits if his or her job is terminated for financial reasons or unintentional actions, layoffs, or the company’s going under. Conversely, if an employee is fired because of deliberate and repeated misconduct, unemployment benefits are generally not available. The following are examples of misconduct that may disqualify workers:

- tardiness or unexcused absences;
- violations of company policy;
- intoxication or drug abuse on the job;
- sexual harassment of other employees;
- dishonesty;
- extreme insubordination; and
- actions that cause substantial damage to the employer.

Note that the list does not include being fired for poor performance or lack of talent or work ethic. While these attributes are certainly not admirable, they do not result in disqualification for unemployment benefits.

What happens if an employee quits? In that case, the employee is generally not eligible to receive unemployment benefits, unless he or she leaves for “good cause.” Under most state laws, good cause is evident when a condition would have resulted in harm or injury if the employee did not resign.

For example, if an employee quits because the work environment is unsafe or working conditions are intolerable (e.g., sexual harassment or discrimination) and are not being addressed by the employer, unemployment benefits may be approved. Similarly, good cause may exist when the employer relocates to a distant location where the commute is unreasonable, or when there is another compelling reason (e.g., having to care for a severely ill spouse).

To receive unemployment benefits, an unemployed worker must file a claim with the appropriate state agency. Usually, benefit payments begin shortly after approval. However, the employer has the right to appeal the agency’s decision to provide benefits.

You may require assistance no matter what side of the fence you are on. Do not hesitate to contact your professional advisers.

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Volunteer for These Charitable Deductions

How to write off out-of-pocket expenses

Do you help your favorite charity with more than just money? Although you cannot deduct the value of your volunteer services, you are entitled to a charitable deduction of your out-of-pocket expenses. Of course, the other usual rules for charitable deductions, including the recordkeeping requirements, still apply.

What sort of expenses are we talking about? Here is a partial list that may be claimed by charitable volunteers.

Travel expenses: Generally, you can claim a deduction for travel expenses incurred away from home while performing services for a charity, as long as there is no significant element of personal pleasure, recreation or vacation in the travel. This includes the following:

- air, rail and bus transportation;
- expenses for your vehicle;
- taxi fares and other transportation costs; and
- meals and lodging.

Because these travel expenses are not business related, they are not subject to the same limits as business expenses. For instance, you can normally deduct only 50% of the cost of business meals.

If you drive your own vehicle on behalf of a charity, you may deduct your expenses based on detailed records or use the IRS-approved flat rate. Set statutorily, the flat rate for 2017 is 14 cents per mile—the same as it has been for years.

Entertainment: If you host a fund-raising event at your home, all your unreimbursed expenses are deductible. As with travel expenses, the usual 50% limit on entertainment and meal costs does not apply to these charitable events.

Telephone expenses: Specific charges for long-distance landline calls, cellphone calls and faxes incurred for charitable purposes are deductible. In addition, you may deduct the cost of installing a separate line used strictly for charity-related calls.

Conventions: When you attend a convention as a charity's designated representative, you may be able to deduct unreimbursed travel expenses. This includes reasonable costs of meals and lodging at the convention.

Uniforms: The initial cost and maintenance of a uniform that is not "suitable for everyday wear" is deductible if used when performing charitable services (e.g., uniforms of Boy Scout or Girl Scout troop leaders).

Underprivileged youths: You can deduct reasonable unreimbursed expenses paid to allow underprivileged youths to attend athletic events, movies or dinners if the youths are selected by a charitable organization as a means of reducing juvenile delinquency. But your own expenses are nondeductible.

Remember that detailed recordkeeping is critical. Be prepared to prove your expenses in case the IRS ever challenges your deduction.

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Facts and Figures

Timely points of particular interest

Man's Best Friend—If you claim to have moved from a state with a high tax rate to one with a low rate—or no state income tax at all—the former state may investigate. New case: A taxpayer reportedly moved from New York to Texas even though he continued to maintain his New York residence. But a New York court was convinced that the man actually moved because his dog ended up in Texas.

Measuring Success—How can you tell if your business is a success? There is no absolute formula, but these five measuring sticks should give you a reasonably good indication: (1) profit; (2) a thriving customer base; (3) customer satisfaction; (4) employee satisfaction; and (5) personal satisfaction. Do not overlook the last one—if you are not happy, are you truly successful?

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A Tax Credit Back in Session

If your young children are going back to school soon, you may need to pay someone for after-school care, especially if both you and your spouse work. Silver tax lining: You may qualify for the dependent care credit.

This credit is available for childcare costs for children under 13 years of age. Generally, the maximum credit is $600 for one child or $1,200 for two or more children, although low-income families may be entitled to a higher amount.

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