FALL 2017 SMALL BUSINESS NEWSLETTER VOL 7 ISSUE 1

Small Business Services Group

TRONCONI SEGARRA & ASSOCIATES LLP

Certified Public Accountants
Business Consultants

Helping Our Small Business Clients Reach Their Full Potential

"Death, taxes and childbirth! There's never any convenient time for any of them."

Margaret Mitchell, Author, *Gone With the Wind*

TRONCONI SEGARRA & ASSOCIATES SMALL BUSINESS MANAGEMENT TEAM

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Tax Reform Bill Nearing Passage

NOTE: Tronconi Segarra & Associates delayed delivery of our November newsletter to you as we were hoping to be able to provide you with information on the final, passed and Presidential-signed tax reform bill by now. However, rather than delay any longer, we offer the following up-to-the-minute recap of the differences between the U.S. House of Representatives version of the "Tax Cuts and Jobs Act of 2017" and the U.S. Senate version of the same, as the House and Senate head into a conference the week of December 4th to work out the differences between the two versions. Please visit our website – www.tsacpa.com – for updates on this impactful legislation as they occur over the next several days or weeks.

By Barbara J. Harmel, Marketing Manager

In the wee morning hours of Saturday, December 2, 2017, the U.S. Senate passed its version of the "Tax Cuts and Jobs Act of 2017," marking the latest step toward hopeful passage of powerful legislation designed, according to the legislation framers, to create more U.S. jobs and reduce federal income taxes for millions of American taxpayers and businesses. The House passed its version of the same legislation on November 16.

The next step: the Speaker of the House and the Senate Majority Leader will choose members of their respective bodies to join together in a "conference" where the differences between the two versions of the legislation will be reconciled in order to produce two identical bills, one each for respective members of the House and Senate, to vote on. Should both the House and Senate pass the reconciled bill, the bill will then be delivered to the President for his signature, and the bill will become law.

The Tax Foundation, a non-partisan, independent not-for-profit organization founded in 1937 for the purpose of collecting data and publishing research studies on U.S. federal and state tax policies, has published an overview of the differences between the House and Senate versions of the Tax Cuts and Jobs Act of 2017. Please click on this link which will direct you to the Tronconi Segarra & Associates' website where we have provided a PDF of the Tax Foundation's overview for your convenience.

Many of the provisions between the two versions of the bill are very similar. For example, both versions of the bill reduce the corporate federal income tax rate to 20%; however, the House version makes that reduction effective with the 2018 tax year, but the Senate version delays the implementation of the 20% tax rate until the 2019 tax year. Members selected to serve on the conference will work to resolve this, and other, differences.

Should you need assistance with any accounting, tax or bookkeeping issue, regardless of the outcome of the new tax reform legislation, please contact your Tronconi Segarra & Associates advisor.

RECONSTRUCTING RECORDS AFTER A DISASTER

At one time or another we have all misplaced an occasional receipt or document when gathering our tax return information. That's nothing compared to the complete loss of tax records by victims of the hurricanes that recently struck Texas, Florida and Puerto Rico. Taxpayers who are victims of a disaster will need to reconstruct their records for a variety of reasons, which may include: proving loss to property; obtaining federal assistance; insurance reimbursement; or tax filing purposes.

For taxpayers who have lost some or all of their records during a disaster, the IRS provides the following tips:

- Get free return transcripts online or by mail by visiting "Get Transcript," on the IRS website. Taxpayers that have registered in the past with Get Transcript should be able to access their transcripts online. New Get Transcript users should be able to request their transcripts be sent by U.S. mail.
- Order transcripts from the IRS by phone by calling 1-800-908-9946 and follow the prompts.
- To get transcripts of previous years' returns by mail, file a Form 4506-T, Request for Transcripts of Tax Return.
- To request copies of past tax returns by mail, file Form 4506, Request for Copy of Tax Return.
- Write the appropriate disaster designation, such as, "HURRICANE HARVEY," in red letters across the top of Forms 4506-T and 4506 to expedite processing and to waive the normal user fee.
- To learn more about different transcript types and which one(s) you may need, visit the IRS.

Lisa A. Mrkall, CPA, MBA
Senior Manager

Year-End Business Planning Opportunities

By Maria A. Dojka, CPA, Manager

As we approach the end of another year, it's the perfect time to evaluate your current financial position to determine if there are any tax planning strategies that might be implemented before December 31st. A few noteworthy planning opportunities are:

Consider purchasing new property or equipment. Section 179 was permanently extended and remains a valuable deduction to taxpayers, allowing them to expense the cost of certain tangible personal property placed in service before the end of the year. For 2017, the maximum deduction increased to $510,000 for capital purchases up to $2,030,000. Bonus depreciation is also available for new qualified property and remains at 50 percent for 2017. It is set to phase down in 2018 and 2019 and will eventually be eliminated.

Review retirement plan options. For those businesses that are having a profitable year, special consideration might be given to setting up a qualified retirement plan before the end of the year. A qualified retirement plan is one of the best tax saving tools available as contributions are immediately tax deductible by the employer and tax deferred to the employee. Business owners should consider gathering information about the various types of plans and calculate any potential tax savings.

Claim any available tax credits. If you are looking to add employees, you may want to consider hiring from a targeted group, such as qualified veterans or long-term unemployment recipients under the Federal Work Opportunity Tax Credit. This tax credit has been extended until 2019 and can provide generous tax credits ranging from $1,200 to $9,600. Another tax credit made available to both large and small businesses is the research tax credit. If your business attempts to develop or improve products, manufacturing or other processes, software, techniques, formulas, or the like, now might be the time to explore this valuable tax incentive.

Adjust estimated taxes. It is important to evaluate your year-to-date estimated tax payments to determine if changes are necessary to the final Q4 remittance. At a minimum, having a year-end projection prepared will better prepare you for any additional tax liability come due April 2018.

Keep an eye on Congress. Figuring out if Congress will pass any new tax legislation before the close of 2017 is a guessing game. Taxpayers should pay attention so they can act in the unlikely event that something happens before the end of the year and be ready to take advantage of any tax provisions that might be beneficial to them.

Safeguarding Against Identity Theft

By Jenny M. Willis, Supervising Senior

Did you know that 1 in 16 U.S. adults were victims of identity theft in 2016? It is estimated that 15.4 million Americans experienced some type of identity theft costing more than $16 billion dollars. Although we live in a world filled with amazing technology that is constantly evolving, it does not come without a significant level of risk.

So, where do you begin in terms of safeguarding yourself? Experts believe there are a variety of things you can do to lessen your risk of becoming a statistic. These strategies include:

- Reviewing your credit report frequently for any changes or alerts
- Being aware of personal information that you share
- Keeping personal documents secure
- Making strong passwords and changing them frequently
- Protecting your mobile device
- Being aware of phishing scams.

If you think you may be a victim of identity theft, it is important to act quickly. Call your bank and credit card companies immediately to freeze your accounts. Remember to notify the credit bureaus and file a complaint with the Federal Trade Commission.

Disaster Tax Relief & Extended Due Dates

By June Callari, CPA, MBA, Manager

The "Disaster Tax Relief and Airport and Airway Extension Act of 2017" was signed into law by President Trump on September 29th. The Act provides temporary tax relief to victims of Hurricanes Harvey, Irma and Maria.

Relief for individuals includes:

1. Loosened restrictions for claiming personal casualty loss tax deductions. The net disaster loss:
    a. Must be over $500 (previously was $100) and these losses do not need to exceed 10% of adjusted gross income.
    b. Is available to non-itemizers by increasing the standard deduction.
    c. Does not reduce amount of standard deduction, under AMT rules.
2. Eased access to retirement funds for qualified hurricane distributions:
    a. Withdrawals allowed up to $100,000.
    b. No 10% early withdrawal penalty.
    c. Tax on withdrawals can be spread over a 3-year period.
    d. Distributions can be recontributed any time over the 3-year period.
    e. No withholding required.
    f. Increase in loan amount allowed to $100,000 and longer repayment terms.
    g. Allows re-contribution of with-drawals between March 1, 2017 and Sept. 20, 2017 for home purchases cancelled due to these hurricanes.
3. No limitation on the deduction of qualified charitable contributions. Note that the donor must obtain a written acknowledgement that the contribution was used for hurricane relief efforts.
4. Option of using current or prior year's income for purposes of claiming the earned income and child tax credits.

In addition, relief for businesses includes:

1. Businesses that qualify for relief may claim an "employee retention tax credit" of up to $2,400 for qualified wages paid to eligible employees.

Finally, the IRS has extended due dates until January 31, 2018 for many 2016 tax returns of individuals and businesses affected by the recent hurricanes.

Congratulations to Our Newly-Promoted Associates!

Several of our associates recently received promotions. Please join us in congratulating them:

Small Business Department:

- Jenny Willis was promoted to Supervising Senior Accountant.

Tax Department:

- Stephan Cwynar, CPA, was promoted to Manager.
- Mike Zeoli was promoted to Supervising Senior Accountant.
- Mary Parmer, CPA, MBA, was promoted to Senior Accountant.
- Marc Jackson, MBA, was promoted to Senior Accountant.
- Adam Connelly was promoted to Senior Accountant.

Accounting & Auditing Department:

- Al Marotto, CPA/ABV, was promoted to Senior Manager.
- Dan Kirst was promoted to Supervising Senior Accountant.
- Mike Faltisco was promoted to Senior Accountant.
- Brandon Wolasz was promoted to Senior Accountant.
- Anthony Fabozzi was promoted to Senior Accountant.
- Scott Schaefer was promoted to Senior Accountant.

ACA TAX REPORTING – STILL IN EFFECT FOR 2018

As the likelihood of the Affordable Care Act (ACA) repeal is more uncertain than ever, employers are reminded that tax information reporting under the Employer Shared Responsibility Rule remains a requirement for early 2018. Applicable Large Employers, or "ALEs," (employers with 50 or more full-time or full-time equivalent employees and all self-insured employers, regardless of size), must not only file the required ACA reporting forms, but also continue to track employee health care coverage in the coming year. The reporting requirement is in addition to reporting healthcare costs on W-2 forms.

For those employers subject to ACA reporting, Forms 1094-C and 1095-C will be due to the IRS for calendar year 2017 by February 28, 2018 if paper filing or by April 2, 2018 if filing electronically. Form 1095-C for the 2017 calendar year, showing compliance with the employer shared responsibility/minimum essential coverage require-ments, must be furnished to full-time employees by January 31, 2018.

Lisa A. Mrkall, CPA, MBA
Senior Manager

Understanding Financial Statements and Useful Ratios

By Karen Schott, General Ledger Specialist

Financial statements can provide a wealth of information about a company and serve as a valuable tool when managing a business. There are three financial statements and each serves a specific purpose.

The **balance sheet** provides a snapshot of the company's financial position detailing the assets, liabilities and equity as of a particular date. Assets are resources owned by a company such as: cash, accounts receivable, inventory or property. Liabilities are obligations; such as money owed to lenders or suppliers. Equity or capital is the money that remains if a company sold all of its assets and paid off all of its liabilities. Equity belongs to the shareholders of the company. The balance sheet is a cumulative report and continues from period to period.

The **income statement** (also called a profit and loss) presents the flow of revenue and expenses into and out of the business for any given period of time. It also provides a quick snapshot of the profitability of the business. A comparative statement will allow you to compare expenses month-to-month or year-to-year and can serve as an important tool in identifying and controlling costs.

Finally, the **statement of cash flows** pulls information from both the balance sheet and income statement by summarizing a company's inflows and outflows of cash and changes over time. The cash flow statement tells you whether the company generated cash and can be a useful tool in budgeting by predicting future cash flow.

Financial Ratios

The financial statements also provide key data needed to calculate financial ratios. Calculating ratios and trends can help you measure financial performance and assist in identifying potential problems by showing whether a company is performing in accordance with expectations. There are several categories of financial ratios and some of the more commonly used are:

Current ratio = currents assets/ current liabilities. The current ratio is a measure of liquidity and serves as a test of the company's financial strength and ability to pay its short-term obligations as they come due. A low current ratio indicates that a company may have a difficult time paying back their liabilities.

Debt-to-equity ratio = total liabilities/ shareholder's equity. The debt-to-equity ratio is used to measure a company's financial leverage by comparing the total equity (net worth) to its debt obligations.

Working ratio = yearly expenses - (debt + depreciation)/yearly gross revenue. The working ratio serves as a clear indicator of the financial health and viability of a company by showing whether it's able to cover annual expenses. A ratio less than 1 implies that the company is able to cover its operating costs; whereas a ratio greater than 1 reflects an inability to do so.

IN THE SPOTLIGHT: VEDHA KRISHNAMOORTHY

Vedha joined Tronconi Segarra & Associates in 2015 and has been serving our small business clients for more than a year. After obtaining her undergraduate education in India, she earned her Chartered Accountancy license from the Institute of Chartered Accountancy of India (ICAI), Vedha also earned a Certification in Information Systems Audit from the ICAI. She was employed by two audit firms over a period of 10 years in India. Upon coming to the U.S., Vedha worked at CPA firms in Colorado and Minnesota before coming to New York State and joining our Firm.

Vedha travels to India every few years to visit family and friends. She and her husband live in Clarence with their two elementary-school-age children. In her free time, she enjoys biking, origami and doing crafts with her children. Vedha was inspired early on in high school to study accounting in college by her father, who was a Chartered Accountant practicing in India.

New Password Guidelines

The National Institute of Standards and Technology (NIST) recently issued revised guidelines for keeping sensitive data out of the hands of hackers. Click here to read more about this on the Tronconi Segarra & Associates' website.