

ClientLine®

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VALUING YOUR BUSINESS

If you had to sell your business today, would you know how much it is worth? Would you know how much your business is worth if you needed a loan? How about the value of your business so you can take on a partner?

TALK TO THE EXPERTS

Understanding the dollar value of a company is crucial to business owners, who may have an outsized portion of total wealth tied up in their companies. But the process can seem daunting to the uninitiated.

Begin by talking to a tax professional who is experienced in this area, or consider hiring a valuation expert with credentials from the American Society of Appraisers, the Institute of Business Appraisers or the National Association of Certified Valuators and Analysts.

TANGIBLY SPEAKING

While there are a variety of valuation approaches, they all quantify tangible assets. This is basically a company's net worth, which includes ownership of physical assets such as machinery, equipment and work space. As with personal net worth, you would also subtract liabilities, including outstanding loan balances and depreciation.



INTANGIBLE ASSETS

While calculating the value of tangible assets is relatively straightforward, determining the value of intangible assets might take more doing. Intangible assets include things like copyrights, patents, licensing, franchise agreements, and goodwill.

GOODWILL

Ultimately, reputation can make or break a company's long-term prospects, and goodwill includes the components that affect that reputation. Goodwill includes your company's standing among customers and peer firms. It can include the quality and experience of your workforce and relationships with suppliers.

ESTABLISHING VALUE

Add both tangible and intangible assets to your firm's balance sheet, which lenders, partners and future buyers may use to determine its value. It can show you areas like inventory purchases where you can increase value, or it can identify areas such as liquidity ratios that might detract from value. Talk to us to learn more.



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Solo Business Stats

Sole proprietors make up a huge chunk of the business world, according to statistics from the Internal Revenue Service. For tax year 2015, some 25.2 million solo business owners filed individual income tax returns, up 2.4% from 2014, reports the IRS. These 25-million-plus sole entrepreneurs account for more than an estimated 28 million nonfarm businesses, which reported profits of \$331.8 billion in 2015, up 4.7% from 2014.

Ride-Sharing Leads

The biggest increase in the number of these entities, 25%, came from the transportation and warehousing sector — fueled, no doubt, by ride-sharing businesses. Wholesaling and real estate also experienced strong growth in new entities.

Deductions Up

Not surprisingly, deductions in this solo business category also increased for the same period, rising 3.2%. The construction sector had the largest amounts of total business receipts and deductions. For all industries combined, commissions and the cost of labor both had double-digit deduction increases.

LAST-MINUTE TAX TIPS

As the tax filing deadline for many businesses nears, now is a good time to go over your tax planning for this year and next. And if you don't do tax planning, this is a good time to start.



TAX AND TAX AGAIN

Depending on your business entity, local, state and federal taxes may comprise only some of what you'll owe. There are state employment and sales taxes, Social Security and Medicare taxes, and filings for retirement plans and benefits, which may have their own unique levies.

EMPLOYMENT TAXES

If you have employees, your business must withhold and remit money for a variety of employment taxes. For each employee, businesses must deduct federal and state income taxes and also must remit money for unemployment insurance.

AND MORE TAXES

Most states now require businesses to collect a sales tax. Some cities may have their own income and sales taxes,

while many tourist destinations charge a rooms and meals tax or entertainment tax. If your business owns real estate, you need to plan for local real estate taxes.

Some companies must pay an excise tax on receipts or for using certain types of equipment, such as over-the-road trucks. With the number and variety of taxes some businesses must pay, it's easy to overlook a payment or two. That's why tax planning is important not only at your tax-filing deadlines, but year-round.

PAPERWORK

As daunting as funding your tax obligations may be, the paperwork that must accompany payment in many instances adds to the time it takes for compliance. Talk to us to learn more about how tax planning can make this process run more smoothly and efficiently.

Client PROFILE

Tara is 32. She works full-time, where her employer deducts taxes from her pay, and freelances part-time, where she is responsible for paying taxes. While Tara appreciates the extra income, she wonders about any tax traps to avoid.

Tara is working hard to meet multiple financial goals, and she wants to make sure she doesn't run afoul of income tax rules. Her accountant gave her two choices for meeting tax obligations.

The first choice was to figure out her untaxed side hustle income and ask her full-time employer to deduct an extra amount from her pay to meet this obligation. The other was to simply pay any additional tax liability quarterly. If she does neither and owes federal income taxes at year-end, Tara may have to pay a penalty and interest on the unpaid tax.

As an independent worker in her part-time gig, Tara should receive a 1099 form if she earns more than \$600 in a given year. She can use this as a guide to pay the income taxes. Tara will also need to calculate FICA taxes for Social Security and Medicare on her part-time income, both as an employer and employee.

Eventual taxation on her freelance income will depend on how this side gig is legally structured. Talk to a tax pro to learn more.

Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you.

WORK FROM HOME PRODUCTIVELY

Working from home has its advantages and disadvantages. If you are considering working from home, there are a multitude of things to consider, from taxes to office space. Here's a look at a few considerations.

PROS

Nearly one-quarter of all Americans do their jobs at least some of the time from home, according to the U.S. Department of Labor. And what's not to like about working at home?

You can shuffle to your computer in pajamas (assuming you're not scheduled for a video conference), coffee cup in hand, to start the morning. Save on travel and lunch costs, and count the money you save on tax deductions for your home office if it's used exclusively for work.

CONS

Working from home isn't all roses. Loved ones and friends may think you're available 24/7 when you're working just as hard at home as in the office. If you're bucking for a promotion, out of sight could mean out of mind. You don't have associates in the next cubicle to ask for advice or a boss to notice the extra hours you work.

So, if you're considering working from home, understand its pros and cons before making a decision.

MANAGING TELECOMMUTERS

Telecommuting is one way to offer employees a benefit they value with a minimal impact on your company's bottom line, but you'll need to understand its risks and establish safeguards to accomplish this.

GROUND RULES

Work is work and home is home. Create guidelines to establish performance goals. If your business requires employees to be present — or at least near a phone — during fixed hours, put it in writing and have telecommuters agree to these conditions. If your company can live with flexible hours, telecommuting employees will perceive a more valuable benefit.

CHARACTER TRAITS

Not everyone is cut out to be a telecommuter. If you have an employee who punches the proverbial clock exactly on time or one who needs constant hand-holding, telecommuting will likely fail. On the other hand, those who work well with minimal

supervision are likely to also succeed working from home.

SAFEGUARDS

To ensure success and protect financially against risk, make sure your company insures itself and your telecommuter for all scenarios.

Workers' compensation, general liability and property insurance are safeguards you should consider.

Also make sure you have secure technology solutions in place, including those for file-sharing, time-tracking and emails. With so many video

teleconferencing solutions available, it's easy to get regular face time with remote employees. Done right, telecommuting can cut costs (think physical office space) and increase productivity.



.... Q&A

Q

I bought two box seats for a baseball game during a charitable auction. Can I deduct the full value?

A

If you receive anything more than a good feeling for helping others, you will likely only be able to partially deduct the donation. To figure how much, learn the fair market value of, in your case, the baseball tickets. Then subtract the value of the tickets from your total donation. The remainder is your tax-deductible donation. Use the same formula to learn how much you can deduct from a donation to a not-for-profit group that includes a magazine or tote bag in return.

Q

I'm a healthy 45-year-old woman who owns a term life insurance policy, but premiums keep rising. Should I switch to whole life insurance?

A

Your answer depends on a variety of personal information not presented here, but there are a couple of generalities you might consider as you weigh your choices. Ask yourself how long you expect to keep the insurance. If you intend to keep the policy throughout your working years, for instance, you might consider whole life insurance. Premiums start higher, but remain the same, and you can't lose coverage if you pay premiums on time. If you have a short-term life insurance need, term insurance may be a more cost-efficient alternative.

ClientLine® SHORT BITS...

> **EMPLOYMENT COSTS RISE.** The Department of Labor's Bureau of Labor Statistics reports that civilian workers' compensation rose 2.5% for the year ending September 2017. Wages and salaries cost private employers an extra 2.6%, while benefit costs rose 2.4%. Employers typically pass their increased expenses on to consumers or clients through price hikes.

> **SMALL BUSINESS CREATES JOBS.** Businesses with fewer than 500 employees created 62% of new jobs since the Great Recession, or 8.3 million of the net new

private sector jobs. This news is courtesy of the U.S. Small Business Administration's Office of Advocacy. During the past two decades, existing businesses of all sizes created almost nine out of 10 new jobs, or 87%.

> **HEALTHCARE COSTS MORE THAN RETIREES EXPECTED.** As healthcare costs continue to rise, it is no surprise that four out of every 10 retirees experience higher costs than they originally anticipated. According to the financial services industry organization LIMRA and its Secure Retirement Institute, about a quarter experienced higher-than-expected basic living expenses,

of which healthcare is a part.

> **ABOUT HALF OF AMERICANS COULD BE FARING BETTER FINANCIALLY.** The Consumer Financial Protection Bureau (CFPB) developed a 10-question survey and found Americans' average financial well-being could be better. The CFPB created a scale between 0 and 100 from which scores of 50 or below are associated with both a high probability of struggling to make ends meet and of experiencing material hardship. The average score was only 54. Scores of 61 and higher indicated a low probability of having trouble paying for basic needs.

The general information provided in this publication is not intended to be nor should it be treated as tax, legal, investment, accounting, or other professional advice. Before making any decision or taking any action, you should consult a qualified professional advisor who has been provided with all pertinent facts relevant to your particular situation.

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