

Curb excessive spending in these 4 areas

Trimming unnecessary expenses is something most businesses did in earnest to survive the 2020 economic downturn. If you're still looking to cut expenses, here are some areas where your business may be overspending.

► **Interest Rates.** If you have credit cards, banks will often listen to a request to lower your interest rates. Also consider asking your banker about refinancing other debt, such as installment loans or revolving lines of credit, to a lower interest rate.

► **Telephones.** Many companies are relying on the same hardware and service they bought 40 years ago, which can cost plenty to use and maintain. Consider transitioning to a Voice Over Internet Protocol (VoIP) service that can easily integrate with mobile phones and other electronic devices.

► **Internet Service.** Call your internet service provider and ask about different options, as it's easy to sign up

for service and forget about it. Maybe you're spending for more bandwidth than you need or you are paying for unnecessary add-ons.

► **Data Storage.** Many businesses overestimate the amount of storage

capacity they actually need. Consider doing an annual audit of your storage needs and asking your provider about different capacity levels if you find you have ample, unused storage space. ♦

TaxCALENDAR

WINTER 2020

January 15, 2021

- Due date for the fourth installment of 2020 individual estimated tax.

February 1

- Due date for employers to provide W-2 statements to employees, and also file W-2 forms with the Social Security Administration.
- Due date for payers to provide most 1099 forms to recipients and report 1099-NEC forms with nonemployee compensation to the IRS.

- Due date for providers to send 1095 forms to recipients.

- Employers must file 2020 federal unemployment tax returns and pay any tax due.

- Due date to file 2020 fourth quarter Form 941 for Social Security, Medicare and withheld income tax.

March 1

- Payers must file 1099-MISC forms with the IRS.**
- Due date to file 1095 forms with the IRS.**

March 2

- Farmers and fishermen who did not make 2020 estimated tax payments must file 2020 tax returns and pay taxes in full to avoid a penalty.

**March 31 if filing electronically

NOTE: This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us. ©2020

Bolster your business's credit rating

Establishing strong credit is a must for your business.

Companies with consistently robust credit scores reap significant benefits including favorable repayment terms, quicker lease approvals, and ready-access to working capital. Bolster your business credit rating by considering the following:

■ Detailed plan

Step one of building credit is convincing a lender that your company is a good risk. Start with a well-written business plan. The document should address your business structure, cash flow projections, competition in your industry and locale, pricing, products, and potential obstacles to success. Update this plan with a forecast at least every three months, so whenever you need to apply for financing in the future, it's ready to go.

■ Discrete accounts

Establish a business credit history separate from your personal finances by using your company's legal name when opening bank accounts and applying for loans or other types of credit. Then use these accounts—and not your personal accounts—to pay all business expenses. Not only does having discrete accounts

help lenders, it also helps you so you can easily create reports that show where your money is going.

■ Diversify your credit

Utilize multiple types of debt, including installment loans, revolving loans, and credit cards. If you pay off a credit card or revolving loan, consider leaving the account open and using it on occasion to maintain your mix of different types of credit. Also try to secure debt from multiple institutions, including large national banks, local community banks and credit unions. The more banks that will lend you money, the more others will see you as creditworthy.

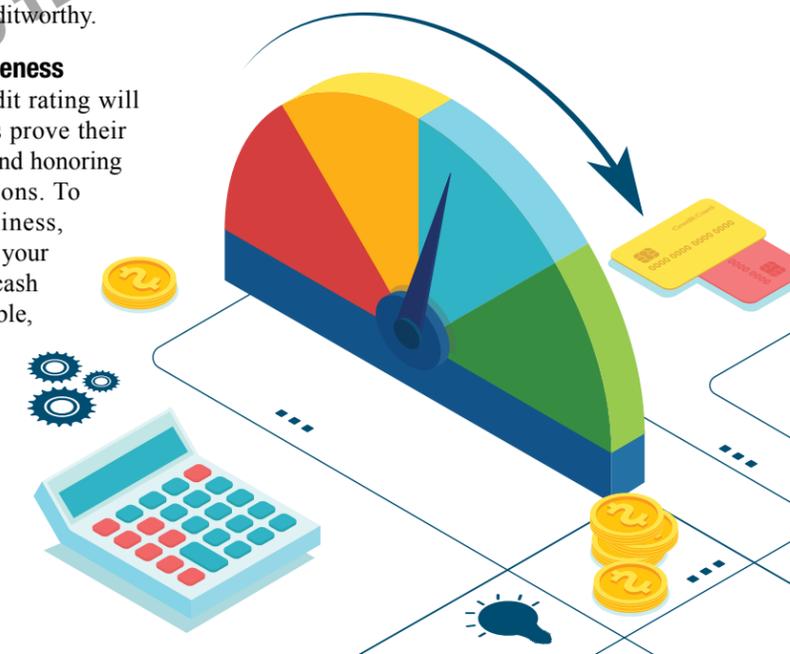
■ Due-date awareness

Your business credit rating will climb as managers prove their skill at managing and honoring the firm's obligations. To judge creditworthiness, lenders watch how your company handles cash flow. If at all possible, invoices should be paid before due dates. Consistently late payments can tank your

credit and put future borrowing out of reach. If you're having trouble making consistent, on-time payments, consider an accounting software program to help track outstanding bills.

■ Diligent monitoring

It's important to review your company's credit score periodically. The major reporting agencies—Dun & Bradstreet, Experian, and Equifax—track your business credit and record of on-time payments. Regular monitoring can also identify false liens, inaccurately-reported loans, and other suspicious activity. ♦



IRS business transcripts get ID theft protection

The IRS will begin masking sensitive data on business tax transcripts in an effort to protect business taxpayers from identity theft. For third parties that want to be able to match a transcript to a taxpayer, there is now space to add an optional 10-digit "Customer File Number."

Warn your employees about new COVID-related text scam

The IRS is warning of a new text scam created by thieves that trick people into disclosing bank account information under the guise of receiving the \$1,200 Economic Impact Payment. Remind your employees that neither the IRS nor state agencies will ever text them asking for bank information.

Natural disaster tax relief available for individuals and businesses

Victims of Hurricane Sally now have until January 15, 2021 to file individual and business tax returns and make payments. The IRS automatically provides filing and penalty relief to anyone with an IRS address located in a federally declared disaster area. Individuals and businesses who suffered uninsured or unreimbursed disaster-related losses can choose to claim them on either their 2020 or 2019 tax return.

No change to fourth quarter interest rates

Interest rates for the fourth quarter in 2020 will remain the same compared to last quarter. These rates include: 3% for overpayments (2% for corporations); 0.5% for the portion of a corporate overpayment over \$10,000; 3% for underpayments and 5% for large corporation underpayments. ♦



Tips for taking care of your employees

Despite most businesses doing their best to keep as many workers on payroll as possible, many employees are still worried about cuts to their wages and salaries, paying rent, protecting their health and even possibly losing their job.

Here are some tips for how to talk with your employees during these turbulent economic times to help maintain and boost morale.

▶ **Be transparent.** Is your company losing sales? Will the company be forced to downsize? Denying the problem won't make it go away. Rumors tend to gain traction and employees become frustrated and confused. Instead, let everyone know the current situation and open the channels of communication even wider. Employees have a vested interest in keeping the company afloat, and they're often a great resource for some of your best advice.

▶ **Highlight future opportunities.** Instead of focusing on negative events coming from your company, focus instead on future opportunities. Highlight what is working. Celebrate small victories. Are sales up in an area? Get on your

“...don't neglect the opportunity to provide appreciation. Let your employees know they're making a difference.”

soapbox and thank everyone who contributes.

▶ **Encourage teamwork.** Host informal coffee talks and encourage workers to openly discuss concerns and potential solutions. If your workers can't meet in person to socialize, creative use of online venues can provide a measure of camaraderie. Keep working as a team until the crisis passes.

▶ **Show appreciation.** When the work or actions of an employee deserves praise, don't neglect the opportunity to provide appreciation. Let your employees know they're making a difference. Even if your firm can't offer cash incentives right now, let your employees know that their efforts haven't gone unnoticed. ♦

Move over, big box retailer!

In today's Amazon-dominated marketplace and big box retailers, one would think there is no longer a place for small business. Yet, many small businesses not only survive, but thrive! Here are some ideas to help you compete among the giants.

Know your point of difference

Why do your customers come to you? Is it convenience? Is it your friendly staff? Is it your added services and help? If you are not sure, start watching, and asking customers. Be curious. The answers are there, so look for them and then focus on what makes your business tick.

Don't compete directly

If it was all about price, no small retailer or service provider would exist. While consumers like a lower price, they also want to buy from someone they can talk to and who can actively solve their problems. This is something big box retailers can't do. And have you ever tried to talk to an actual person at Amazon? Good luck. So don't go head-to-head on price with a larger rival, focus instead on providing value at competitive prices.

Capitalize on small business strengths

Small businesses have advantages, too. They're generally more agile and can adapt quickly to changing trends and market developments. With fewer employees and less bureaucracy, a small company can streamline processes and respond quickly to the needs of its clientele. Unlike the CEO of a Blue Chip company, a small business owner can generate loyalty by interacting directly with customers in person, through personalized emails, or via handwritten thank you notes.

Tap into niche markets

Big companies tend to focus on broad demographics. They make purchases and investments based on national or regional sales trends. As a small company, you have the opportunity to reach specific markets more effectively. Dig deeper to find untapped subcategories within your market.

Hire (and retain) the best employees

Small businesses can be great places to work. Workers at small companies often enjoy greater freedom to innovate and may directly share in the firm's profits. If those benefits are coupled with in-depth training and a pleasant work environment, customers will reap the benefits of outstanding service. A big retailer may have more employees, but your business can have outstanding employees. So be willing to reward the good ones and do not tolerate employees that are not willing to go the extra step to make your customers happy.

Remember, there's room for a small business that responds to customers immediately, does what they say they will do plus a little more, and always leaves their customers with a smile on their face. ♦

Protect your cash with segregation of duties

Fraud and embezzlement don't just happen at large companies. In fact, theft may be more common in small businesses because many lack any form of internal controls that may exist in one form or another in larger businesses. But the good news for small businesses is that effective internal controls don't have to be complicated or expensive.

The Solution

The best way for small businesses to battle fraud is a simple segregation of duties framework. Here's what you need to know:

- ▶ **Segregate cash disbursements.** Only the owner or a designated, trusted manager should sign checks, authorize electronic payments or perform fund transfers. This control has a dual purpose: management sees how the company is spending its money, and the cash disbursement function is kept separate from bookkeeping and accounting. If the same person signs checks and authorizes electronic transactions, and also enters disbursement transactions in the accounting records, embezzlement is much easier to achieve. You can strengthen this function by having solid purchase order policies and having separate functions approving bills.
- ▶ **Segregate control of cash.** If customer collections are a regular part of your business, consider having an owner or manager occasionally open the mail before passing it on to accounting. That's one way to detect unusual transactions before they're recorded in the company books. Alternatively, you might ask someone separate from accounting to open the mail and prepare a deposit slip. The practice of making daily deposits is also a good control.

- ▶ **Segregate reconciliations.** For companies with limited resources, periodic review of bank reconciliations by someone outside of accounting can provide a mitigating control. Non-accounting personnel performing these reviews will of course need to be trained. They'll need to understand the risks involved and the types of unusual or unsupported transactions needing further investigation. Cross training staff also helps to ensure continuity of operations when accounting employees take vacations or leave the company.

Segregation of duties can help your company keep track of cash and help prevent theft by an employee before it happens. ♦