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Great cost cutting ideas

Always keeping a watchful eye on your business's spending is a great way to make sure you're being purposeful with where your money goes. But keeping up with your business's hectic pace of day-to-day activities means it's easy to go several months — or longer! — without taking a deep dive into your income statement to make sure that expenses are still at a reasonable level.

So here are some ideas for the next time you're wanting to find areas of your business to trim expenses.

► **Review credit card interest rates.** With interest rates having risen dramatically over the past several years, consider asking your current credit card bank to lower your current rate. You may have more luck if you are a long-time, loyal customer who has always made on-time payments. Ask for the lower rate, even if you never carry an unpaid balance. If they are unwilling to move, consider changing credit card providers.

► **Review other debt.** Also ask your banker about refinancing other debt, such as installment loans or revolving lines of credit, to a lower interest rate. Banks are always looking for well run businesses that proactively manage their risks.

► **Periodic vendor reviews.** Details of how you pay vendors, for example billing frequency and rates, along with the different payment methods offered by each vendor, should be periodically reviewed to determine if an opportunity exists to get better payment terms which, in turn, can help you cut costs and save money.

► **No auto renewals.** While it may be convenient to put a contract on auto renewal, doing so can make it more likely that you'll miss the next termination deadline, along with the opportunity to consider whether you still want the service. This could lock you into a service you no longer need or that is more expensive than you were hoping to pay.

► **Review data storage.** The cost of storing data in the cloud is now extremely affordable. At the same time, 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.

► **Review Software as a Service.** These services are popping up like weeds and every one of them is a monthly service charge that goes on forever. Review your cash disbursements and note any recurring charges. Once identified, review each one for their relevancy. Many of these services charge per user. Trim the user fee to one or two people. The savings add up quickly.

When reviewing your expenses ask yourself whether the expense is truly adding to your bottom line. If not, make it a candidate for the chopping block. ♦

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Tax & Business letter

SPRING 2024

New reporting requirement now in effect for small business owners

Beginning in 2024, many small businesses will have to report information about their owners to the Financial Crimes Enforcement Network (commonly referred to as FinCEN), a bureau of the U.S. Department of the Treasury that collects and analyzes information to help fight financial crimes.

Here is what you need to know.

■ **Determine if your business must comply with new reporting rules.** Any company created in the United States that has registered with a secretary of state or any similar office under the laws of a state or Indian tribe, or foreign companies registered to do business in the U.S., must comply with these new reporting requirements.

Many small businesses that are C corporations, S corporations, partnerships, or LLCs (including single-member LLCs) must comply. There are, however, nearly two dozen types of businesses that are exempt from these new reporting requirements, including sole proprietors, accounting firms, insurance companies, banks, certain large businesses, and tax-exempt entities.

■ **Know when you MUST file your report.** Filing your initial report depends on when your business was created or registered:

- **Before January 1, 2024.** For existing companies created before January 1, 2024, you must file your initial FinCEN report, commonly referred to as a Beneficial Ownership Information (BOI) report, sometime this year (before January 1, 2025).
- **During 2024.** Companies formed during 2024 have 90 days to file their initial BOI report.
- **In 2025 and beyond.** The initial BOI report must be filed within 30 days of a new business being registered or created.

■ **Immediately report any changes.** After your initial BOI report is filed, an updated BOI report must be filed within 30 days following any change in information previously filed with FinCEN. Any inaccuracies discovered on previously filed reports must also be reported within 30 days.

■ **Why they want to know.** The Federal government wants to know who owns or is a beneficial owner of businesses in the U.S. This information is meant to protect national security by making it easier to find corruption, money laundering operations, tax evasion, and drug trafficking organizations. They will be sharing this information with approved agencies including Federal and State law enforcement and Federal tax authorities.

■ **There are penalties for non-compliance.** You may be liable for up to $5,000 or more in fines for each defined violation for non-compliance or false information provided on the form. There are also daily fines for potential errors and omissions.

Please call if you have questions about these new reporting requirements and your business. ♦

IRS TAX NOTES

New digital asset reporting requirement for small businesses temporarily delayed

Businesses do not have to report the receipt of digital assets the same way as they must report the receipt of cash until Treasury regulations are issued, the IRS recently announced.

The Infrastructure Investment and Jobs Act of 2021 revised the rules that require taxpayers that are engaged in a trade or business to report receiving cash of more than $10,000 by considering digital assets to be cash.

The announcement does not affect the existing rules for cash received in the course of a trade or business, which must be reported to the IRS within 15 days of receiving the cash.

Interest rates remain the same for first quarter of 2024

Interest rates for the first quarter in 2024 remain unchanged compared to last quarter. These rates include: 8% for overpayments (7% for corporations); 5.5% for the portion of a corporate overpayment over $10,000; 8% for underpayments and 10% for large corporation underpayments. ♦

Tax CALENDAR

SPRING 2024

April 15th

- ❑ 2023 individual income tax returns are due.
- ❑ 2023 calendar-year C corporation tax returns are due.
- ❑ First installment of 2024 individual estimated tax is due.

May 15th

- ❑ 2023 calendar-year non-profit organization annual reporting returns are due.

June 17th

- ❑ Second installment of 2024 individual estimated tax is due.

Protect your business with a smart email policy

With an estimated 362 billion emails sent and received each day worldwide, electronic communication is clearly an essential business tool. But in the same way email makes conducting business more efficient, all those data packets traveling in and out of your company's email system pose potential risks to your business.

Here are some reasons why your business should have an email policy, along with some ideas for implementation.

Why you need an email policy

- **Protect your business.** While leaks of your company's confidential or proprietary information via employee email are always a danger, messages carelessly worded that create legal headaches for businesses are more common. A recent study showed that nearly one in four outgoing emails contains content that pose legal, financial or regulatory risk for your business.
- **Promote a positive work environment.** If your employees treat writing and sending emails as a serious matter, email missteps are much less likely to occur.
- **Increase in employee productivity.** Using email for non-work reasons can be a distraction for employees. Implementing an email policy can help employees focus more on their job.
- **Showcase a uniform look and feel.** Using consistent fonts, color and branding helps establish your business's image in the eyes of customers, vendors, and other people outside of your organization. An email policy can communicate what fonts, colors, and images should be used in emails.

Crafting your email policy

Here are some ideas to consider including as part of your email policy. Once you create a first draft, have your legal team review it, then work to monitor compliance within your organization.

- Notify employees that the email system is the property of the company and may be subject to monitoring at the company's discretion.
- Require that personal emails be sent only from employees' personal accounts, from their personal devices, and not from a business email address on the company's computer. By the same token, employees should not use their personal email accounts to send messages related to the business.
- Explain best practices for avoiding scams and thwarting cyberattacks, including not clicking on links or downloading documents from unknown senders.
- Prohibit messages that are obscene, discriminatory, harassing or inappropriate, and clearly state the consequences for any violations.
- Emails are never places to promise pricing or tax information. Purchase orders and tax returns are where this information belongs.
- At the bottom of all emails, place a static confidentiality statement for legal protection.
- Review your policy once a year to determine if any revisions are necessary. Also remind employees of their responsibility to adhere to the policy.

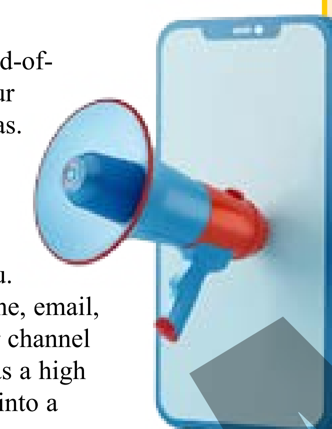
Instituting a comprehensive email policy is only part of an effective protection plan. Monitoring and enforcing those rules and periodic training for all employees are also essential components. ♦

Turbocharge your word-of-mouth advertising!

Word-of-mouth advertising is a reliable source of new customers for many businesses. Consider this information from *Forbes Magazine*:

- 78% of B2B marketers say that referral programs generate good or excellent leads.
- 60% of marketers say that referral programs generate a high volume of leads.
- 54% say that referral programs have a lower cost-per-lead than other channels.
- Marketers rate referrals as the 2nd-highest source of quality leads.

So how can you tap into word-of-mouth's full potential for your business? Here are some ideas.



- **Engage with your customers.** Talk with your customers and listen to what they are telling you. Having a dialogue via phone, email, social media or some other channel will help build trust that has a high likelihood of being turned into a word-of-mouth referral.
- **Use a memorable message.** When interacting with your customers, make the message you give a memorable one. Whether it's done through outstanding products or services, great storytelling or being honest and upfront when something goes wrong, wowing your customers by providing value will make them want to tell their friends and family about the great value they got from your company.
- **Make it easy to give referrals.** Your employees may be more resistant to cross-training if it feels like it's an obligation or a threat to their roles. You can help them feel motivated by highlighting the benefits, like honing different skill sets and having a better understanding of how their contributions positively impact the business.

Word-of-mouth advertising will likely always be at the top of the advertising mountain. Please call if you have questions about how to better utilize word-of-mouth advertising in your business. ♦

CASH FLOW CORNER

Leverage cash flow with a line of credit

Many businesses are strapped for cash. One way to get access to more money is by opening a line of credit. Here are several advantages to using a line of credit over other methods of financing, followed by some tips for getting a line of credit for your business:

- **Better terms than a credit card.** A line of credit typically has a lower interest rate than you'll find on a corporate credit card. This is because you're pledging assets to support the advance on your line, whereas a credit card has lower access to those assets. Plus, if you are not careful, use of a credit card can impact your personal credit score!
- **More flexible than a term loan.** Loans are typically used for larger, one-time capital purchases such as acquiring equipment or real estate. And once you've spent proceeds from the loan, you're locked into a rigid repayment schedule unless you refinance. If you do refinance, you'll have to foot the bill for higher closing costs than is typical with a line of credit. Plus, as long as you have assets available to secure your line of credit, you can always pay it back and then later advance money on the line as you need it.
- **Ideal for short-term cash needs.** A line of credit is a good solution if your business is seasonal in nature. You can use the line to purchase inventory, then pay it back when the inventory is later sold.

Getting a line of credit for your business

Here are some tips for getting a line of credit for your business.

- **Build a solid profit and credit history.** The best time to apply for a line of credit is when your business has a track record of being profitable and can demonstrate a good credit history. You'll be able to negotiate better interest rates, credit limits and terms if your business is on solid ground when applying for the line.
- **Remember that the bank wants collateral.** Lenders will want assurances that you can repay the line of credit. They do this by creating formulas of how much you can advance against the value of your other assets like receivables and inventory.
- **Be prepared to explain why you need the line of credit.** When applying for a loan, you normally have a specific asset you want to purchase such as a building or a new piece of equipment. Explaining why your business needs a line of credit is equally important. So be prepared to show your banker how the line will be used by preparing a monthly financial forecast that explains when cash will be withdrawn and when the cash will be repaid.
- **Apply for the line of credit before you need it.** Consider starting discussions with your banker about applying for the line well before you think you need it. The best case scenario is you get approved, as an example, for a $100,000 line of credit that you never end up using. But as the recent pandemic demonstrated to many business owners, you just never know when the next emergency will come around the corner.

Please call if you have any questions about applying for or using a line of credit for your business. ♦