

Sushil Kumar, CPA, MBA

April 2012

STRAIGHT TALK

ABOUT SMALL BUSINESS SUCCESS

The newsletter designed to keep you on course to build a successful small business



Welcome to the April 2012 issue of the "Straight Talk" newsletter. Tax season is in full swing as we approach the April 17th tax deadline. If you haven't yet come in to see us, please call my office. Also, if you have friends, family, or colleagues who require assistance with their taxes, ask them to give us a call. Remind them to mention your name so I can thank you for the referral.

As the all-important tax deadline looms, thoughts turn to minimizing the amount of tax we have to pay. This month we remind you of eight ways that you could slash your tax bill. We also take a look at how you can transform from that 'wishful' mindset to an optimistic and effective mindset that 'will' create success instead of just hoping for it.

On the theme of change, you'll want to take the time to sit back and ask yourself the six questions which will help you to shift the direction of your business. It's amazing how some times the simplest of thoughts can precipitate great change.

Until next month,

Sushil Kumar, CPA

8 Ways To SLASH The TAXES You Pay

years in the future. Simply altering the timing of your deduction can potentially have an enormous effect if your income fluctuates widely, or if the legislated tax rates change.

Note: These elections (and others not mentioned here) are subject to terms and conditions. Most will have a set date by which you must formally make the election so make sure you comply with these timeframes to avoid disappointment.

Tax credits

While deductions are great, they only save you as much money as the tax would be on that amount. A credit however, reduces your tax bill dollar for dollar. E.g., If you're in the 28 percent tax bracket, a tax deduction of \$500 gives you a benefit of \$140, while a tax credit of \$500 gives you a benefit of \$500. As you can see, the impact on your tax bill due from taking a tax credit is much larger than that derived from a tax deduction.

Substantiation

To be entitled to claim your business expenditure, you have to be able to prove that you actually spent the money,

There are ways you can slash your taxes. You could reduce your income which is something that most people opt not to do. Or, you can increase your deductions and credits to bring your taxable income down. The following is a list of some of the most lucrative business tax deductions that you could be claiming:

Make tax elections wisely

Our complicated tax legislation often offers a choice in the way a particular event is to be treated e.g., depreciation and business losses.

Instead of just picking an option, or blindly doing what you've 'always done', consider your situation and the effect your choice and its timing will have.

• **Depreciation (Sec. 179 deduction).** If you're operating at a profit and purchase new or pre-owned business equipment or machinery, you may choose to claim

the full deduction in the first year of purchase instead of depreciating it over the legislated period. However, to be eligible for this option you must formally make the election on your return, and there are limits, thresholds, and phase-outs dependent upon when you bought the equipment and the total value of equipment you buy in any one year.

If you discover that your purchases are required to be depreciated, there are sometimes extra deductions available such as the first-year bonus depreciation deduction in effect though 2012 which allows you to depreciate an additional 50% or 100% during the first year.

• **Net operating losses (NOLs).** Business losses may be deducted against your other income, subject to rules relating to whether your venture is considered a business or a hobby. If you're eligible to deduct your business losses, you may apply it against any of the years started from two years prior to twenty

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Slash cont. from pg. 1 TAXES

and such proof must be in a form acceptable to the IRS. Receipts should always clearly describe the goods or services you buy, as well as the amount spent, the date, and any other pertinent information. In most cases, a bank or credit card statement will not suffice.

Business use of your home

Multi-purpose expenditure can sometimes be a little tricky to account for when it comes to your tax return. If you rent a distinct, separate business premises, it's easy enough to demonstrate the rental fees paid, but if you use a small area of your own home (such as the basement, garage, or a spare room) you'll have to take extra care calculating deductions.

Typically, so long as you are able to prove the genuine business use of part of your home, you are entitled to claim a deduction for a portion of home-related expenses such as interest on the mortgage (or rent), insurance, utilities, repairs and maintenance costs.

The total of these types of expenses are apportioned to take into account business and private use, and such apportionment must be reasonable and justifiable to the IRS. One of the most common methods is to base your calculations on the percentage of space used for business/private purposes.

Automobile expenses

There are two potential methods of claiming automobile expenses. It's in your best interests to record details and evidence of both the standard mileage

and the actual expenses methods, and calculate your potential deduction under both. Then, choose the method which will give you the biggest deduction—provided your choice complies with the IRS requirements. In 2012, the standard mileage rate is 55.5 cents per business mile driven, the same rate that was in effect for the second half of 2011.

Separate bank account

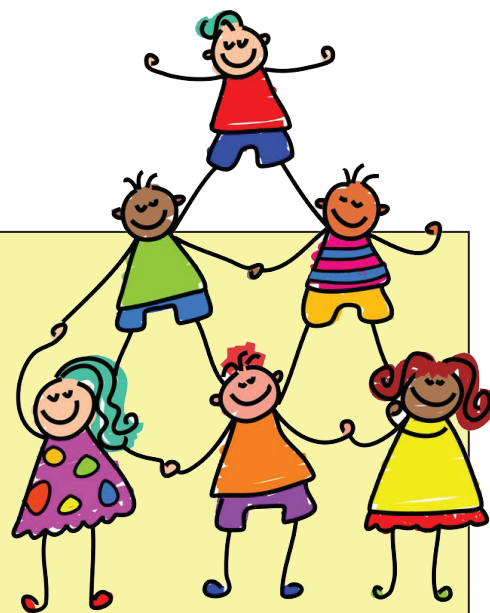
Try to keep your personal matters and your business matters separate. Paying for business expenses out of personal funds and bank accounts doesn't negatively affect deductibility, but it's much, much easier to keep track of, and ensure you've claimed a deduction for all you're entitled to if every transaction in your bank account is recorded and accounted for.

Business meals and entertainment

Just because you're in business doesn't mean you can automatically spend up big at the fanciest restaurant in town. Meals classified as "business-related entertainment" are a potential deduction, but they are limited to 50% of the cost under the actual cost or standard meal allowance method.

If you're required to travel away from home for business purposes you also may be entitled to claim for meals while you're away. As with all deductions, keep accurate records to substantiate any claims you make.

Following the above advice could help you to keep hundreds, or even thousands, of your hard-earned dollars in your own pocket—not the IRS's.



Recruit the help you need with the personal approach

The road to success can feel long and lonely, but few entrepreneurs reach their goals without help. Successful business owners have a gift for enlisting assistance.

From *How To Win Friends and Influence People* by Dale Carnegie comes this advice for forging positive relationships with the people whose support you need, whatever you're working toward:

- **Avoid arguments.** Make your case without letting emotions escalate out of control.
- **Always show respect for other people's opinions.**
- **When you're wrong, admit it** so everyone can move on quickly.
- **Be friendly with everyone**, whether you need something or not.
- **Find a way to get the person to agree with you on something right away**—even if it's just a small point.
- **Let the other person talk—a lot.** Listen attentively to show you respect his or her ideas.
- Allow the other person to think a good idea belongs to him or her. **Don't try to hog all the credit.**
- **Try to see from the other person's perspective.**
- **Appeal to the other person's better nature.**



Business Question/Tip:

Q: Do self-employment taxes need to be paid quarterly or yearly?

A: If you are required to make estimated tax payments, self-employment tax is paid by making quarterly estimated tax payments which include both income tax and social security tax.

Turn 'I want' into 'I will'

Our achievements are based on how much effort we put into them—what we're willing to do. Most people wish they were richer, or thinner, but if you ask them what they're willing to do for their wish, their response is often a blank stare, or even an argument.

The truth is that if you want something, but you're not motivated to do the work required, you'll live in a state of perpetual frustration. So, try this:

- **Make a list of everything you want.** Write it all down—don't leave anything that you want out. Then, rate each item on a scale of 0-10. (10 means you want whatever it is very badly, 0 means you don't want it at all).

- **Consider your investment.** Examine each of the items on your list and ask yourself: "Am I willing to invest the time, energy, and resources necessary to achieve this?" Rate the items the same way: From 10, which means you're absolutely willing, to 0 for items you're not committed to working toward.

- **Make a decision.** Look at your list and identify the items that you want the most with the highest score for "willingness." Then start working on a plan for success over the next three to six months.

Do You Have A Tough Accounting / Tax Question You Want Answered?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have relating to small business. If you have a question, tip or idea, please call me at (718) 261-2090 or email me at Sushil@bestcpasolutions.com. Perhaps I'll feature you in a future issue!



Shift your company's gears by exploring these questions

From time to time, everyone needs to jump-start his or her thinking. In business, that's even more vital. Learn to open the minds around you to all the possibilities and advance your organization in a new direction. Start by asking these key questions:

- ? Are we making the right things?
- ? Are we making the right things in the most effective ways?
- ? Are we minimizing our costs?
- ? Are the things we make as good as (or better) than what our best competitor makes?
- ? Are we serving the widest possible market?
- ? Do we have a unique selling proposition—a reason for someone to buy from us rather than from someone else?

Congratulations to Mr. Anoune Mbengue, owner of Subway Restaurant, as April's Client of the Month

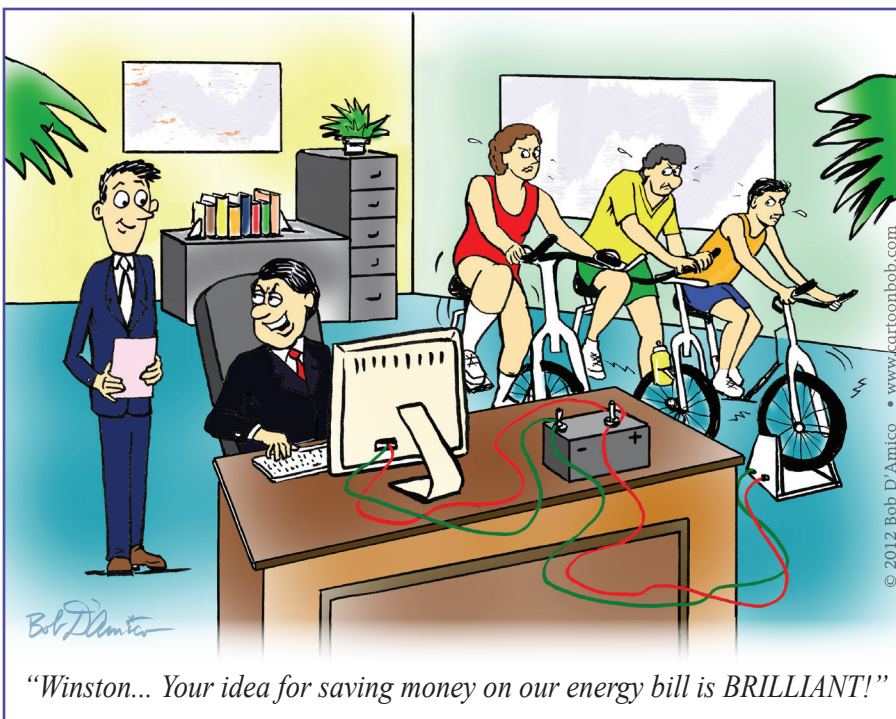
Mr. Mbengue has been a client of our firm for 4 years. The restaurant offer fresh sandwiches and salads. His Subway restaurant is located at 124th Street Saint Nicholas Ave, New York, NY. To learn more, visit www.subway.com or call (212) 222-5633. Mr. Mbengue says, "Trinity Tax & Financial Solutions, Inc. is the right place to be. The service is GREAT. The employees are helpful and Mr. Kumar is GREAT. You always find support and guidance with Trinity Tax & Financial Solutions, Inc. At Trinity Tax, the client is looked as a friend and a family member."



Are You In Need of a Qualified Tax Pro?



If you are not my client and would like to explore whether we might be a good fit, please contact me. As a qualified tax professional, I not only know all the rules, but can also help you deal with the IRS and help you decide how far to push a dispute.



"Winston... Your idea for saving money on our energy bill is BRILLIANT!"

Quotes of the Month

If things seem under control, you are just not going fast enough. —Mario Andretti

The saddest aspect of life right now is that science gathers knowledge faster than society gathers wisdom. —Isaac Asimov

By logic and reason we die hourly. By imagination we live. —William Butler Yeats

A painting is never finished—it simply stops in interesting places. —Paul Gardner

Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy. —Dale Carnegie

I quit being afraid when my first venture failed and the sky didn't fall down. —Allen H. Neuharth

Don't tell me what your priorities are. Show me where you spend your money, and I'll tell you what they are. —James W. Frick

Getting to know you

The teacher said to her third-grade class on the first day, "Let's get to know each other. I want each of you to stand up, tell us your name, what one of your parents does for a living, and then spell that and explain it to us."

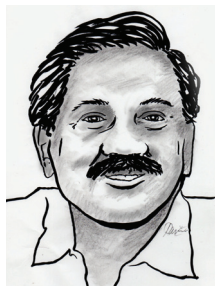
A young girl stood up. "My name's Gina. My mother is a lawyer, l-a-w-y-e-r, and she defends people in court."

"Very good," the teacher said. "Who's next?"

A boy stood up. "My name is Peter. My father is a gastroenterologist. That's g-a-s-t-e-r . . . no, t-r-e-o . . . no, wait a minute."

"All right, Peter," the teacher said. "Your assignment for tonight is to learn how to spell gastroenterologist."

Another boy stood up. "My name's Bill, and my father is a bookie, b-double o-k-i-e. And he'd give you 5-to-1 odds that Peter's not going to be spelling 'gastroenterologist' by tomorrow."



Trinity Tax & Financial Solutions, Inc.

Close **P**ersonal **A**ttention to increasing your profits.

116-16 Queens Blvd • Suite 245

Forest Hills, NY 11375

(718) 261-2090 • www.bestcpasolutions.com

Email: Sushil@bestcpasolutions.com

Member: NY State Society of CPAs

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