

NOVEMBER 5, 2015 NEWSLETTER

THIS WEEK:

The next meeting of the Tri-Valley Executives' Association will be on **November 12th** here at Vic's All-Star Kitchen at 7:00am.

GREETERS will be **Lawrence Ling** of QES Computers and **Mark Van Slambrook** of The Swenson Group Business Technologies.

The TWO TRUTHS will be given by **Mark Caufield** of Cook, Disharoon and Greathouse Insurance.

We will have a GUEST SPEAKER: **Jack Zwissig** - he and his associates offer a unique leadership and Executive Coaching program designed to utilize the minimum amount of time by the participant while maximizing value.

There is a BOARD MEETING after the meeting this week.

HOLIDAY BANQUET

When: Thursday, December 10, 2015 at 6:30pm

Where: Pasta's Trattoria on Main Street in Pleasanton

Cost: \$45 per person; no-host bar (corkage fee avail.)

**There will be no meeting the morning of 12/10*

UPCOMING:

November 19 – **James Sievers**, Pleasanton Family Chiropractic

November 26 – NO MEETING

December 3 – **Andy Tate**, Building Pros

December 10 – **Holiday Party** at Pasta's, NO A.M. MEETING (Sign-up will be going around)

December 17 – Annual "Dirty Santa" **Gift Exchange**

December 24 & 31 – NO MEETING

THE WEEKLY "POT" REPORT:

TVEA's 50/50 raffle is at **\$117** with 5 white marbles (\$5), 1 blue marbles (\$10) and 1 red marble (the Pot).

CLASSIFICATION:

Since the age of two, **Jim Pease** has lived in Pleasanton, when it was a town of only 14,000 people and hops were still being grown near Hopyard Road. As a teen he worked with the Streets Department for the City of Pleasanton, mainly doing leaf vacuuming and repairing potholes. In the summers he would take off two weeks to work for the Alameda County Fair as a parking attendant in the jockey lot.

He played a lot of sports growing up and went to St. Mary's on a football scholarship. Having enjoyed writing, he studied journalism and thought of becoming a sports writer, but ended up getting an accounting degree.

After graduating in 1985, he worked with his grandfather at his accounting business. He found accounting was in his "blood", and needing outside experience began his accounting career working for Arthur Young (now Ernst & Young) where he worked as an auditor.

Personally, he met his wife in the 6th grade and married her in 1987 after attending St. Mary's together. They have 4 children: two daughters who are Chico State grads, a son who is a Junior at Chico State, and another daughter whose is in her first year at Chico State.

He became a CPA in 1990 and went to work for his grandfather's firm, W.H. Mayer Accountancy Corp. where he worked for the next 20 years. In December of 2010 Jim decided to go out on his own and launched Pease Tax & Accounting Services, Inc. The agency now has a full staff that does 600 business returns, 400 personal returns and about 100 fiduciary returns, as well as performing regular on-going accounting duties for many of those.

Jim has been a CPA for the past 25+ years and got his master's degree in taxation in 1995. He is uniquely

qualified to represent people in tax matters, and strongly recommends that business owner's meet with their CPA prior to the end of the year to ensure that they are able to use the maximum deductions and pay the minimum in income tax. In general, the best way to cut income taxes is to fund retirement accounts. It is also a good time to look at selling stock in order to offset losses from prior years and avoid paying capital gains tax.

Pease Tax & Accounting works with individuals, businesses, estates and trusts. Many people are unfamiliar with a Fiduciary Tax Return, which is something that is prepared for the executor of an Estate for the time between when the trustees have passed and the assets are transferred to the beneficiaries. They also do reviews and compile financial statements for businesses, in accordance with the Sarbanes-Oxley Act of 2002. Jim has recently been busy reviewing financial statements (a "reviewed" financial statement one step below "audited" financial statements) for construction companies, which is a bonding requirement for general contractors.

To stay current, CPAs must have 80 hours of continuing education in accounting and fraud detection every two years. To avoid fraud, although difficult in small companies, make sure that there is some separation of duties and manage oversight.

There were not many changes in the tax code in 2015. The Affordable Care Act is seeing many more rules taking affect. For anyone getting insurance through the exchange, assistance was provided based on a prediction of the individual's income. Now that there is a report of actual wages (tax filing is a requirement of keeping coverage), many insured will have to pay the difference if their income was more than they predicted. If a person decided to take then penalty rather than get insurance, they could pay fines of \$95, \$395, \$695, or 2% of their gross income, which could be significant for some. The problem with the system remains to be forms that are very complicated, even for a tax professional, let alone the average insured person who wouldn't typically use a tax preparer, and is ill-equipped to complete the forms.

Jim has seen a few clients through IRS audits. The auditors come in and go through all of the bank statements and add up the deposits to tie in with the income statement and balance sheet; then, they go

through the payroll to make sure that it matches what is reported. Any differences have to be explained and backed up. Many auditors (generally from the IRS office in Walnut Creek) and, although it may be nerve-racking, it is a good thing for them to visit your business. Also, having a good, organized accounting system can make an audit easier and shorter. In order for Jim to work on your case, he has to have a Power of Attorney, otherwise the IRS will not speak with him. He maintains a good relationship with the auditors and does everything he can to keep it that way.

Business owners must do everything they can to protect the integrity of their accounting system. Here are TEN common things to do or to avoid:

1. If you buy something online for your business, you have to print a receipt – a credit card statement is not sufficient back-up. Also, if you buy something from a vendor that typically sells items for personal use, make sure to keep the receipt with the items on it.
2. PUC - Personal Use of Company Car: some percentage has to be moved to the W2 and taxes paid on it.
3. Going out to eat with your spouse (even if they also work in the company and you are talking all business) is not a write-off; it must be an outside business relationship to qualify as a meals/entertainment expense.
4. For S-Corps, the cost of company-paid health insurance must be reported on the W2; however, at this point, it is only reporting and no tax is due.
5. The IRS can now request a copy of your Quickbooks or accounting software file. It is just a request, but your audit may not go smoothly if you don't comply.
6. Stay on top of bookkeeping; the IRS can see the audit trail built into the software that tracks when/how often entries are made. You must show that your accounting is diligent and timely.
7. For Corporations, running personal expenses through the business is not good. For legal purposes you must remain separate entities.
8. When buying client gifts, such as tickets for sporting events, you may only write-off the face value of the ticket, even if you had to pay twice that amount.

9. If you loan money to the company, make sure you write up a Promissory Note, otherwise it is a capital contribution.
10. Every month, review your balance sheet and income statement.

Finally, make sure you consult Jim before you make any significant financial changes that could have tax consequences as the laws and tax code are always changing.

To make Jim Pease your tax professional or to refer friends and family, call him at Pease Tax & Accounting Services, Inc. at 230-9380 to set up an appointment.
