Tri-Valley Executives Association

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November 27, 2014 Newsletter

This Week:

The next meeting of the Tri-Valley Executives' Association will be held on **December 4th** at Vic's All-Star Kitchen at 7:00am.

GREETERS will be **Mark Van Slambrook** of The Swenson Group Business Technologies and **Earl Woodson** of Transbay Locksmiths.

Mike Peel of Sotheby's International Realty will give his TWO TRUTHS and one lie.

The CLASSIFICATION will be given by **Jay Woidtke** of The Law Office of Jay A. Woidtke, Estate Planning Attorney.

Two Truths:
By Mark Caufield

1. Mark made the decision to start a career in the insurance industry during the 130-mile Death Ride.
2. Golf has various levels of planes, all of which work together to create the perfect game.
3. Being "Grandmothered" into your company's insurance plan is generally good, but it's best to compare with other plans.

Number 1 is false. Although Mark has done the 130-mile Death Ride, it is not where he decided to go into the insurance business.

To learn more about whether or not your company may be able to keep your current plan, and to evaluate the new plans and exchanges, call Mark Caufield of Disharoon & Greathouse, Inc. 925-570-8566/510-437-1900 mcaufield@cdginsurance.com.

Upcoming:

December 11 – **HOLIDAY DINNER** – No AM Meeting
December 18 – Dirty Santa **Gift Exchange**
December 25 – NO MEETING – Christmas Day
January 1 – NO MEETING – New Year's Day

Holiday Party at Handle's NEXT WEEK:

The Annual TVEA Holiday Party is next week, Thursday **December 11th at 6:30pm at Handle's Gastropub** on Main Street in Pleasanton. Dinner will be $45.00 per person due in advance. Please let Cristin know if you will attend. The sign-up sheet will be going around. There will be ***no morning meeting on 12/11***.

The Weekly "Pot" Report:

TVEA's 50/50 raffle is at $59 with 9 white marbles ($5), 2 blue marbles ($10) and 1 red marble (the Pot).

Business Cards:

Check the table this week; many are running low.

A lot of people still do business this way so make sure yours are easily accessible.

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: a 25-year-old daughter who is a Chico State grad and works for a start-up in San Francisco, another daughter who graduated from Chico State and is currently back home, son who is 19 and a sophomore at Chico State, and a 17-year-old daughter whose is hoping to go to Cal Poly, but has been accepted 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 4 full-time employees that do 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 24+ 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 2014, however the expiration of one stimulus-era business deduction will significantly affect many businesses. Section 179 of the tax code had a current deduction limit of $25,000 plus an adjustment for inflation. This means businesses could deduct the full cost of qualifying equipment from their taxes, up to $25,000. With the 2008 stimulus package, that deduction went up to $500,000. Upon its expiration at the end of 2013, the original limit was restored to $25,000. With little discussion of renewing the incentive, many manufacturing companies have trepidations going into the new year, since this will affect most of their customer base.

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. The biggest problem with this part of the system is that the forms 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 an increase in IRS audits of businesses. 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-wracking, 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.
2. PUCC - 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.