



Cultivating Value

A Publication of *Vineyard Group, LLC*

April-May 2009

Thoughts From Tom

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Tax Law Changes Affect Businesses

The economic stimulus legislation enacted this February* contains several tax law provisions that are important to businesses. Business owners will want to take the time to determine how the new law affects them and their businesses. Here's a brief summary of key provisions.

Depreciation and Section 179 Expensing

A provision allowing a first-year depreciation "bonus" equal to 50% of the cost (technically, the "adjusted basis") of qualified new business assets has been extended for a year, generally for property placed in service through 2009. In addition, under the new legislation, the dollar limit on asset purchases eligible for Section 179 expensing is \$250,000 for the 2009 tax year, the same limit that applies for 2008. The \$250,000 deduction maximum is reduced to the extent that the cost of qualifying property placed in service during the taxable year is greater than \$800,000.

Net Operating Losses

An eligible small business that has a net operating loss (NOL) for a taxable year ending in 2008 (or, at the taxpayer's option, a taxable year beginning in 2008) may elect to increase the usual two-year carryback period to as many as five years. Carrying back an NOL to an earlier tax year can result in a refund of taxes paid for that year.

Estimated Taxes

The new law temporarily changes the estimated tax requirement for individuals who received the majority of their 2008 income from a small business and whose adjusted gross income was less than \$500,000 (\$250,000 if married filing separately). For 2009, qualifying individuals may pay estimated tax of 90% of the tax liability shown on their 2008 tax return.

COBRA Insurance Coverage

Under the new law, employers will have to pick up 65% of the cost of the group health insurance premium for up to nine months for an individual (and any qualified beneficiary of that individual) who has been involuntarily terminated and elects COBRA. Employers, however, can be reimbursed for the amount of the COBRA premium assistance they provide by claiming a credit against any federal income-tax or FICA withholding taxes owed on wages paid. This provision applies to qualifying individuals who become eligible for COBRA coverage from September 1, 2008, through December 31, 2009. Additional COBRA notice and reporting requirements apply.

Other Provisions

The new law also:

- Provides eligible workers with a "Making Work Pay" tax credit that may be claimed as a reduction in the federal income taxes withheld from their paychecks
- Temporarily reduces the "recognition period" for the tax on built-in gains that can apply when an S corporation that was formerly a C corporation sells assets
- Increases the maximum monthly income exclusion for employees receiving mass transit and van pooling fringe benefits
- Expands the Work Opportunity Tax Credit available to employers that hire unemployed veterans and disconnected youth
- Provides business and individual taxpayers with several incentives for producing and conserving energy from renewable sources

Opportunities and Challenges

The new law presents important opportunities and some added burdens for small businesses. Since the new rules are complex -- and many are temporary -- we strongly recommend that you seek our professional assistance before acting on anything contained in this new legislation.

* American Recovery and Reinvestment Tax Act of 2009

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Motivating Employees Through Good Times and Bad

Motivating employees so that they are productive and high performing is one of the most important challenges facing an owner or manager. It's a challenge that takes on an added urgency and importance in today's ultra competitive marketplace. How well or badly an owner or manager succeeds in this goal can have a direct bearing on whether a business keeps growing or finds that its growth has stalled.

There are several tested motivational techniques that can help employees achieve a wide variety of goals. See which of the following techniques you can apply to your business.

Communicate Corporate Goals

Engaged employees work toward common goals. Disengaged and unmotivated employees are unaware of corporate goals and what role they can play in helping to achieve these goals. Employees will be engaged and focused on directing their efforts toward greater productivity when they see the "big picture" and when you communicate your expectations to them clearly and regularly.

It's critical that the duties, responsibilities, and objectives of employees' jobs should be clearly spelled out to them when they begin work. Moreover, you have to inform employees how their jobs will be evaluated in the future so they have a clear understanding of what's expected of them from the start.

Each employee must be made aware of how his or her efforts impact the company and its bottom line. The goals of your company must be closely aligned to the goals of the employees if all employees are to work effectively toward the company's success.

Recognize and Identify Different Motivators

Money is a strong motivator for some employees. Others are motivated by external recognition or by a sense of personal satisfaction and achievement. The key is to identify what factors drive an employee to excel and to regularly deliver superior performance.

Bonuses and other forms of incentive pay or deferred compensation are effective monetary incentives. Non-monetary recognition awards can run the gamut from recognizing an "employee of the month," to awarding special parking places to high-performing employees, to simply writing thank-you notes.

Give Employees the Tools They Need

Once you have communicated your expectations for employees and identified what motivates them, you need to follow through by ensuring that they have the right tools to do their jobs. It sounds simple, but too often employees work with out-of-date equipment or inadequate supplies. You can avoid this by asking employees what it is they need to do their job successfully.

Make Performance Reviews More Frequent

Performance reviews are valuable tools that you can use to track the progress of your employees in meeting a variety of stated goals and to help keep them motivated and productive. Typically, managers discuss job performance with employees at least once a year or whenever a problem surfaces. Many employees would benefit from more consistent and regular feedback about their job performance -- every quarter or, possibly, every month.

Encourage Additional Training and Education

Providing employees with the opportunity to boost their customer service, sales, technical, and professional skills has a two-fold effect: Your employees become more competent and motivated, and your company benefits from their increased productivity and enhanced skills. Training doesn't have to break the bank. Consider sending one employee to a training course and asking that employee to share what he or she has learned with other employees.

Too many employers dismiss motivation as a "soft" skill that detracts from more important aspects of company operations. The reality is, however, that properly applied, certain motivational techniques can increase business and improve profit margins.

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