



Online Advisor – April 2019

This month:

April 15:

- Individual tax returns due
- C corporation tax returns due
- First-quarter 2019 estimated tax due

April 21: Easter Sunday

Other April 15 Deadlines:

- Six-month filing extension
- 2018 gift taxes
- 2018 IRA contributions
- 2018 HSA contributions

Tax day is upon us! As we tie a bow on the first tax season using the new tax laws, here's a fun tax quiz you can use to impress your friends with some quirky state tax knowledge. This issue also includes handy metrics to track your business performance, tips to help you decide if you should buy or lease your next vehicle, and five big questions people are asking as the tax deadline approaches.

Call if you would like to discuss how any of this information relates to you. If you know someone that can benefit from this newsletter, feel free to send it to them.

Tax Quiz: Wild State Tax Laws

Think taxes are simple and filled with common sense? Think again! Enjoy this fun quiz to see how well you know the crazy world of state taxes.

If you have a hankering for an apple or banana at work, you'll pay an extra tax to buy fruit from a vending machine in which state?



- A. Georgia
- B. South Dakota
- C. California
- D. Oregon

C. California. Cold food is tax-exempt if purchased at a store, but subject to tax on 33% of the price if you purchase fruit from a vending machine. If you sell fruit in this state...good luck keeping track of the tax.

Looking to finally get that "mom" tattoo on your arm? Which of these states charges a 6% tax on that tattoo?

- A. Minnesota
- B. Arkansas
- C. Delaware
- D. Texas

B. Arkansas. Body piercings are also taxed at 6%. So if you are waffling between getting that tattoo or a nose ring, you can eliminate taxes as a deciding factor!

Have you ever looked at a tree in your yard and thought, "wow, that tree sure is exceptional"? If you have one of these "exceptional" trees on your property you might be entitled to a \$3,000 tax deduction in which state?

- A. Hawaii
- B. Missouri
- C. Maine
- D. Alaska

A. Hawaii. Worried about how new developments were destroying the environment in the 70's, the Hawaii State Legislature added the tax deduction for expenditures paid to maintain an exceptional tree.

Next time you are at a bakery in this state and the baker lifts the knife to cut your bagel, stop them. It could be a taxable event! Can you name the state?

- A. Utah
- B. Wisconsin
- C. Pennsylvania
- D. New York

D. New York. Slicing a bagel meets the state's definition of prepared food and is subject to an 8 percent sales tax. That goes for applying cream cheese as well.



Looking for a long-term retirement tax-savings tip? Which state exempts you from state taxes once you turn 100?

- A. Michigan
- B. New Mexico
- C. Rhode Island
- D. Virginia

B. New Mexico. If you are 100 or older and are not claimed as dependent, you are exempt from filing and paying New Mexico personal income tax.

As you enjoy the nice spring weather, spread some of this fun tax knowledge with family and friends.

4 Key Metrics to Fortify Your Business

Even the best, well-prepared business plans can unravel quickly without a process in place to evaluate performance. Creating a scorecard with quality metrics can give you the daily insight you need to successfully run a business without drowning in the details.

Create a scorecard that works

An effective scorecard gives you a holistic view of the state of your business in one report. The report consists of key financial and non-financial metrics to provide a daily look at the health of your business. To be useful, your measures should be concise, available on-demand, and include properly targeted data to help you quickly spot trends and react appropriately.

Effective business metrics to consider right now

1. Quick Ratio (financial)

Add up your total cash, short-term investments and accounts receivable. Then divide that total by your current liabilities. This is your quick ratio. It's a simple way to see if you have enough funds on hand to pay your immediate bills. A value of 1.0 or more means your liquid assets are sufficient to cover your short-term debts. A value less than 1.0 may mean you're relying too heavily on debt to fund your operations or pay expenses.



2. **Retention Percentage (customers)**

First, create a list of customers who made purchases this year and a list of customers who made purchases last year. Then, remove all new customers gained in the current year. Divide the total number of customers from last year by the remaining number of customers for this year. This is your customer retention percentage. Measure this over time to see if your business is retaining or losing core customers. If you have a condensed sales cycle, you can shrink the period down further. For example, by looking at this calculation each month, you can see how it builds over the year.

3. **Asset Turnover Ratio (internal process)**

Divide your total sales by average total assets from your company balance sheet. (beginning assets plus ending assets, divided by two) for the same time period. The end result tells you the amount of sales generated for each dollar committed to your assets. The number may not reveal much by itself, but when reviewed over time, you'll have a better understanding of whether the assets used to run your business are becoming more or less effective.

4. **Net Income Per Employee (growth)**

Divide your net income by your total number of employees for a given time period. In theory, as your workforce develops, it should generate more income per employee. Remember to account for part-time employees prior to making your calculation (e.g., a part-time employee working 20 hours per week is 1/2 an employee for purposes of this calculation). If the income per employee is getting lower over time, figure out why. Perhaps you have high employee turnover, or there is an area of your company that can benefit from training.

While each ratio may help you analyze different aspects of your business, they don't tell you the whole story. Finding the right mix of metrics for your scorecard can take some time, but the end result is a valuable tool that can take your business to the next level.

Leasing vs. Buying a Car

Knowing the tricks makes you a better decision-maker



There are many reasons for you to lease a car versus buy a car, but too often it is the auto dealer's profit motive that determines which method you use rather than what's best for your budget and lifestyle. To help you make an informed decision, here are some things to consider:

When to lease

- You want a car with lower down payments and monthly costs.
- You don't like making your own vehicle repairs.
- You prefer a new car every couple of years.
- You don't drive many miles each year.
- You are not hard on your vehicle.

When to buy

- You plan to have the vehicle for many years.
- You are willing to drive a used car.
- You drive more miles than a lease allows.
- You are worried about keeping the car in excellent condition.
- You want to work on or modify the car.

Tips to know if you decide to lease

If you think leasing a vehicle is an option for you, here are some tips to ensure you are making the best deal:

- **Negotiate before revealing your intentions.** Negotiate the price before telling the dealer you wish to lease. The purchase price you negotiate should be the price the dealer uses in calculating the lease payments as well as an outright purchase. If it is not, this technique forces the dealer to disclose this fact.
- **Ask about the annual percentage rate (APR).** Ask the dealer to disclose the effective APR built into the lease. If the dealer gives you a lease factor instead of an interest rate, multiply the lease factor by 2,400 to get a general interest rate. For example, a lease factor of 0.0025 multiplied by 2,400 returns an interest rate of 6 percent.
- **Question the residual value.** Ask what the projected residual value of the car is at the end of the lease. This value is often overstated by the dealer to artificially lower your lease payment, but can impact your



ability to purchase your vehicle at the end of the lease. Future residual value is an estimate and can often be negotiated with the dealer.

- **Compare with a loan.** Use the negotiated purchase price to calculate your loan payments. Use this information to compare your monthly lease payment with your car loan payment.
- **Read the lease agreement!** If ever there is a time to read the fine print, leasing a car is one of them. Pay special attention to early termination clauses and cost for excess miles. These two factors can dramatically impact your lease versus buy decision.

Tax Day is Here!

5 Big Questions People Are Asking

The individual tax deadline of April 15 is fast approaching. Do you have all your tax arrangements in order? Here are five important questions that people are asking.

1. **What happens if I don't file on time?** There's no penalty for filing a late tax return after the deadline if you are set to receive a refund. However, penalties and interest are due if taxes are not filed on time or a tax extension is not requested AND you owe tax. To avoid this problem, file your taxes as soon as you can because the penalties can pile up pretty quickly. The failure-to-file penalty is 5 percent of the unpaid tax added for each month (or part of a month) that a tax return is late.
2. **Can I file for an extension?**
If you are not on track to complete your tax return by April 15, you can file an extension to give you until Oct. 15 to file your tax return. Be aware that it is only an extension of time to file - not an extension of time to pay taxes you owe. You still need to pay all taxes by April 15 to avoid penalties and interest. So even if you plan to file an extension, a preliminary review of your tax documents is necessary to determine whether or not you need to make a payment when the extension is filed.
3. **What are my tax payment options?**
You have many options to pay your income tax. You can mail a check, pay directly from a bank account with IRS direct pay, pay with a debit or credit card (for a fee), or apply online for an IRS payment plan.



No matter how you pay your tax bill, finalize tax payment arrangements by the end of the day on April 15.

4. **When will I get my refund?**

According to the IRS, 90 percent of refunds for e-filed returns are processed in less than 21 days. Paper filed returns will take longer. 24 hours after you receive your e-file confirmation (or 4 weeks after you mail a paper tax return), you can use the Where's My Refund? Feature on the IRS website to see the status of your refund.

5. **Oops, I forgot a tax document. Now what?**

The first thing to do is determine the impact the new information has on your filed return. For example, if you claim the standard deduction and then receive a mortgage interest statement that does not bring your expenses above the deduction threshold, there's nothing more you need to do. Simply file the statement with your other tax documents. If, on the other hand, you receive something like a Form 1099 with additional income, you will need to amend the tax return to claim the income. In cases like this, please call in order to review your situation and the timing of the correction.

Don't Let Disaster Befall Your Favorite Charity

A crucial deadline is approaching and you can help!

The filing deadline for most non-profit organizations is May 15. Missing this deadline results in penalties that can devastate the organization's budget, or worse, strip them of their non-profit status and make your donations non-tax deductible! Here's what you can do to help them:

- **Check the charitable status online.** The IRS has a master list of charitable organizations recognized as non-profits in good standing. Here you can see the current status of your favorite charities and even view past tax returns to get an idea of where they stand.
- **Remind the organization.** Many small non-profits, like youth sporting groups and local school booster clubs, often forget to file their annual report because officers are constantly rotating in and out of the



organization. Each transition of responsibilities increases the likelihood that important data, like a filing requirement, will get lost. A simple reminder from you might be what they need to get back on track.

- **Get involved.** Learn how the organization operates and see if there is anything you can do to help. Oftentimes, one individual is juggling multiple roles within the organization. Your skill set, whatever it may be, might be exactly what they need to free up someone else to properly handle the annual filings.
- **Tell them to get help!** A simpler filing option may be available to them. If they have less than \$50,000 in gross receipts, filing is much less complex with the Form 990-N e-Postcard. Larger organizations must fill out Form 990 or Form 990-EZ.

Take action now! The implications of losing the non-profit status are vast. Please call if your favorite charity needs help filing their non-profit tax return.

Don't Leave Your Business Exposed

5 Insurance Tips to Protect Your Assets and Your Bank Account

Have you conducted a business insurance review lately? Changes in your business equipment, real estate holdings, the amount of inventory, and the number of employees are all good reasons to review your insurance. Here are a few policy review tips to consider:

1. **Keep in regular contact with your insurance company.** Keep your insurance agent apprised of what you are doing in your business. Try to meet with your agent throughout the year, and conduct a detailed annual review of your insurance needs.
2. **Understand how business changes affect your policy.** Figure out how your policy covers common changes, as well as other changes you know are happening soon. This involves understanding the limits and terms of your policy. You can start by asking if you're properly insured for property damage, liability coverage, health and disability, and life insurance.
3. **Conduct a competitive review.** Periodically conduct a competitive review of your insurance needs. Bring in at least two other insurance providers, as well as your current provider. The frequency of the review will be driven by changes in your business, the stability of your current insurance provider, and



the need to understand the evolving landscape of business liabilities. A review will keep your premiums competitive, as well as help you learn about coverage holes in your current policy.

4. **Identify evolving coverage risks.** As the business climate evolves, so should your insurance coverage. Think about what's on the horizon. Who would have anticipated the need to cover cyber attacks and identity theft 10 years ago?
5. **Review safety plans and company policies.** This goes hand-in-hand with a business insurance review. Make sure your team is adhering to established employment and operations policies. Getting an insurance claim approved and maintaining reasonable premiums often depend on specific factors you can reinforce through these policies.

Finding the right level of coverage for the right price is possible, but it takes some preparation and planning. Invest some time now to review your insurance policies to save a lot of potential pain and money down the road.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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