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Client Information Bulletin

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Seven Tax Moves in the Summertime *Ideas for individuals and business owners*

Although summer is traditionally the time for rest and relaxation, you can still “work on” your 2016 tax bill. What’s more, special tax incentives for individuals and small-business owners have been restored by the Protecting Americans from Tax Hikes (PATH) Act of 2015. Here are seven popular tax-saving ideas.

1. Maximize business property benefits. Under Section 179 of the tax code, you may currently deduct the cost of qualified business property placed in service during the year. The maximum \$500,000 Section 179 deduction has been permanently preserved (with indexing) by the PATH Act. Also, the new law restores the 50% bonus depreciation for qualified business property.

2. Harvest gains or losses. The maximum tax rate for long-term capital gains is 15% (20% for certain high-income taxpayers). When appropriate, you may realize capital gains to benefit from this special tax treatment. Conversely, if it suits your purposes, you might harvest capital losses instead. Capital losses offset capital gains plus up to \$3,000 of ordinary income. Any remaining loss is carried over to the next year.

3. Clean up on charitable deductions. Generally, you can deduct the fair market value (FMV) of property you donate to a qualified charitable organization if you have owned the

property for more than a year. For example, if you decide to clean out the basement, attic or garage during the warm weather, you might give used clothing and furniture in good condition to charity and then claim a deduction.

4. Schedule summer business trips. If you travel away from home on business, you may deduct your business travel expenses—including airfare, lodging and 50% of the cost of meals—if the primary purpose of the trip is business-related. But the number of days spent on business vs. pleasure is crucial, so pay close attention to your allocation of time.

5. Enjoy business entertainment. A small-business owner who entertains clients during the summer may claim entertainment deductions. For instance, if you treat a client to a round of golf before or after a substantial business discussion, you can deduct 50% of the cost of the fees, golf club rentals, and food and drinks afterward. If the client is from out of town, the business discussion can take place either the day before or after the golf outing.

6. Support a college graduate. If your child graduated from college in May, you still may be entitled to a \$4,050 dependency exemption for 2016 if you provide more than half of the child’s annual support. Figure out how much more support

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you must give to push you past the halfway point. This is likely the last time you will qualify for the exemption.

7. Hire target workers. Under an extension of the PATH Act, a business can claim a Work Opportunity Tax Credit (WOTC) for hiring workers from a target group. Plus, your firm may benefit from a special sum-

merit version of the WOTC for hiring youths residing in empowerment zones or enterprise communities. The WOTC is set to expire again after 2019.

These are just seven midyear tax-planning ideas to consider. Schedule a meeting to discuss the best strategies for your personal and business situation.

Finding the Next Big Thing

Practical advice for entrepreneurs

The holy grail for many entrepreneurs is the next great idea: It can make you a small—or, better yet, large—fortune. Is it possible? Of course, but it is definitely not going to happen by magic. Here are several suggestions for turning business dreams into reality.

◆ **Get ahead of the curve.** Think about trends, especially those based on new technology, and how you might capitalize on them in a business setting. For instance, many businesses cater to the needs and activities of homeowners. Figure out how you can improve their lives or keep them better entertained. The ideas can range from practical applications to the social or recreational.

◆ **Address your own pet peeves.** Is there something that continually frustrates you? Instead of continuing to complain about matters, take some action. Figure out how to best solve the problem and then build your business around the solution.

◆ **Carve out a new niche.** You don't have to reinvent the wheel to come up with a successful business idea.



Examine what the major players in a particular industry are missing and try to fill in the gaps. What may be too small for a corporate conglomerate can be just the right fit for a small-business operation.

◆ **Apply old talents to new tasks.** Figure out what you do best and how you can apply those skills in a different way. For example, a sales representative with a great personality might find his or her niche in real estate development. Don't be tied down to what you have done before.

◆ **Build a better mousetrap.** Companies can become successful by offering customers an existing product at a lower price or a better product at a higher price. Just because something has already been done does not mean it has been perfected. Find the flaws and fix them.

◆ **Obtain input from others.** To develop an idea that meets people's needs, you have to talk to people. Engage potential consumers in discussions whenever the opportunity presents itself. Similarly, if you're interested in developing an e-commerce business, you might send an online survey to prospects so you can learn more about their needs and interests.

◆ **Mix and match.** Think about combining products from both sides of a store aisle on one side. Or match up a product from one genre with another. These seemingly odd combinations can provide some interesting ideas. Undoubtedly, some will produce terrible matches, but every once in a while you can hit pay dirt.

The entrepreneurial spirit requires both inspiration and perspiration. Following these suggestions should, at the very least, point you in the right direction. Rely on your business advisers for guidance and meeting all the professional requirements.

Tax Angles on Wash Sales

Generally, you can offset capital gains plus up to \$3,000 of ordinary income with a loss on security sales. But the "wash sale rule" can put a crimp in your plans.

How it works: If you acquire substantially identical securities within 30 days of a sale, you do not realize any current tax benefit from a loss. Instead, the amount of the disallowed loss is added to your basis in the new securities.

One midyear tax move is to wait at least 31 days to buy back the same or similar securities. Alternatively, you might buy the securities and then wait at least 31 days to sell the original shares at a loss.

10 Bad Reasons Why Good Employees Quit

Avoid common mistakes of supervisors

Is employee turnover a constant problem at your company? Frequently, high turnover can be traced to mistakes being made at the supervisory level. Worst of all, the problems may easily be fixed, either through greater effort or a slight change in perspective.

With that in mind, here are 10 common reasons why employees leave their jobs. One or more may apply to your company.

Reason #1: They are overworked.

It may be time to lower expectations if good employees keep leaving because of the workload. That is not to say you should adhere to a rigid 40-hour workweek, but requiring substantially more time, especially 60 hours per week and up, is ultimately counterproductive.

Reason #2: Supervisors do not recognize contributions.

It may sound trite, but virtually everyone enjoys getting a “pat on the back” every now and then. Supervisors should recognize the needs of valuable employees and respond in kind.

Reason #3: They are not properly rewarded.

For many workers, it’s a case of “show me the money.” Employees should be compensated in line with their performance. If they are not, they will likely walk away at some point.

Reason #4: The boss does not care about workers.

Supervisors do not have to be best friends with employees—in fact, it is usually better if they are not—but professionalism should be balanced with sensitivity. Show employees that you really care during both good times and bad.

Reason #5: Promises are unfulfilled.

If you make a commitment to an employee and keep it, this will breed loyalty. However, renegeing on a promise, be it a salary increase or some other accommodation, can lead to distrust and resentment.

Reason #6: New hires and promotions reflect poor judgment.

Good people want to work alongside other good people. It is discouraging when new hires do not measure up. Even worse, if the wrong people are promoted, it sends a negative message, especially to someone who believes he or she was wrongly passed over.

Reason #7: There is no chance of advancement.

Managers cannot expect employees to stay on the job if there is no possibility of growth, either financially or intellectually, or both. Establish a logical career path that can be followed.

Reason #8: They are not inspired.

Smart supervisors know how to tap into the enthusiasm of their workers in order to bring out the best in them. Giving employees the chance to explore their passions is a strong motivator, while failing to do so may actually decrease productivity.

Reason #9: They are not properly trained.

How can you expect employees to do a good job without adequate training? When you simply throw new hires into the deep end of the pool, some may swim but others will sink. Similarly, additional education can lead the way to advancement.

Reason #10: Their jobs are mundane.

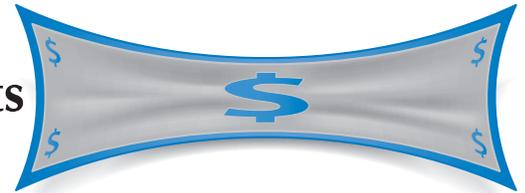
Doing the same thing day in and day out gets old very quickly. Even for jobs requiring a routine approach, try to unlock the creativity of workers and challenge them to do better.

There are no absolute guarantees, but addressing these issues may reduce a high turnover rate. At the very least, it may ensure that new hires stay longer.



Give Us A Call!

Do you have any questions or comments about **Client Information Bulletin** or your individual situation? Please do not hesitate to contact our office. We would be glad to serve you in any way we can.



How to Stretch Out Estate-tax Payments

Estate may qualify for installments

Although you may have spent years building up a successful enterprise, your family may be forced to sell it soon after your death to pay the federal estate-tax bill. The full amount of estate tax is due nine months after an individual's death. Fortunately, there is some tax relief for a family that inherits a small business.

Timely tax break: If the estate qualifies, the family can elect to pay no tax on the business interest for five years. And subsequent payments can be stretched out over

10 years. **Result:** Your family can take up to 15 years to pay the tax. (Actually, it's 14 years, since the due date for the last installment of interest coincides with the first installment of tax.)

There is, however, one catch. Interest must be paid each year on the unpaid portion of the tax. But the estate pays only 2% on the tax attributable to the first \$1 million of the taxable value of the business interest. The interest rate for tax underpayments applies to any amount above \$1 million (subject to inflation indexing). The threshold for 2016 is \$1.48 million.

When does an estate qualify for the 15-year deferral? Generally speaking, the business must constitute at least 35% of the adjusted gross estate. Your adjusted gross estate is the gross estate less any expenses, debts and losses.

In addition, you must have operated the business as one of the following: (1) a sole proprietor; (2) a partner with an interest of 20% or more in the partnership, or with an interest in a partnership that has no more than 45 partners; or (3) a corporate stockholder owning 20% or more of the voting stock, or owning stock in a corporation with no more than 45 shareholders.

Finally, a proper notice of election must be attached to a timely estate-tax return.

Unfortunately, the benefit of this special provision may be lost if all the i's aren't dotted and the t's aren't crossed. Don't hesitate to ask your professional advisers for assistance.

Bump Up in Estate-tax Exemption

Under the American Taxpayer Relief Act of 2012 (ATRA), the federal estate-tax exemption is permanently set at \$5 million with a top 40% rate. ATRA also provides for inflation indexing of the exemption, beginning in 2013. The figures for the past four years, which show a modest increase for 2016, are as follows:

Year	Exemption amount
2013	\$5.25 million
2014	\$5.34 million
2015	\$5.43 million
2016	\$5.45 million

This estate-tax exemption provides protection for many, but not all, upper-income individuals. In any event, overall estate planning is still necessary.

Facts and Figures

Timely points of particular interest

➔ **Quick Check**—The IRS is trying to make it even easier to pay your taxes. It recently announced that it has partnered with 7-Eleven to enable individual taxpayers to make payments at more than 7,000 of the convenience stores nationwide. To take advantage of this option, all you have to do is go to the www.irs.gov payments page, choose the payments option and follow the instructions.

➔ **Instant Action**—One of the keys to being successful in business is the ability to get things done. Thus, business experts have endorsed the need for urgency. By showing a sense of urgency, you can cut through the red tape, deliver goods or services on time, and realize goals. Conversely, if you wait around for things to happen, you will likely achieve less and not be as successful.