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The CFO Advisor

Guidance for Small Business Success™

Welcome to the March issue of "The CFO Advisor!" We're now in the height of tax season and things are getting busy around the office!

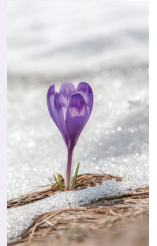
In this month's issue, we focus on a variety of topics pertinent to ensuring your small business runs smoothly and effectively.

We start with information that will not only make you more competitive as an employer, but will also benefit your small business as a whole when it comes to doing your taxes: I'm referring to the Family and Medical Leave Benefits.

You'll also find useful information that we could all use, such as tips for creating an efficient workplace, holding effective meetings, running a business in an ever-changing technological environment, and reducing workplace stress.

Until next month...

Dwight L. Hulse, CPA/CITP, CGMA



How Family and Medical Leave Benefits Benefit Your Small Business

When it comes to employee talent, you compete with other employers in a variety of ways. Benefits are very important to an employee's decision to stay with a business, and a good medical and family leave policy is one of the most important benefits that they consider.

If you have implemented a medical and family leave policy in your small business, the good news is that your federal government may have given you a dollar for dollar tax credit.

For the next two employer tax years — those beginning between January 1, 2018, and December 31, 2019 — the Tax Cuts and Jobs Act (TCJA) establishes a new federal income tax credit for employers that provide qualifying paid family and medical leave benefits to their employees.

If for tax purposes your business operates on a calendar year, you can put your business in a position today to claim the tax credit for both the 2018 and 2019 tax years, but you will need to do so quickly.

If eligible, you can claim a credit equal to 12.5 percent of wages paid to qualifying employees who are on family

and medical leave, as long as the leave payments are at least 50 percent of the normal wages paid to those employees.

A qualifying employee is one who has been employed by your company for at least one year and whose compensation last year was less than \$72,000.

You can increase the credit beyond

the 12.5 percent. For each 1 percent increase in medical leave payments over the 50 percent threshold, the credit rate increases by 0.25 percent, up to a maximum credit rate of 25 percent.

What qualifies for the credit?

"Family and medical leave" is defined as leave taken by a qualified employee for any of the following reasons:

- The birth of the employee's son or daughter, in order to care for the son or daughter.
- The placement of a son or daughter with the employee for adoption or foster care.
- A serious health condition of the employee's spouse, son, daughter, or parent.
- A serious health condition that makes the employee unable to perform the functions of his or her position.

- Any qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a member of the Armed Forces (including the National Guard and Reserves), who is on covered active duty or has been notified of an impending call or an order to covered active duty.

- A serious injury or illness of a covered service member who is the employee's spouse, son, daughter, parent, or next of kin.

The following leave is **not** considered eligible for the credit:

- Employer-provided vacation leave.
- Personal leave.
- Medical or sick leave (other than qualifying leave as defined above).
- Leave that is paid by a state or local government or that is required by state or local law.

The maximum length of paid family and medical leave taken by a specific employee who can qualify for the credit is 12 weeks per tax year of the employer.

When Must Your Company's Family and Medical Leave Policy Be Established?

The general rule is that to claim the credit for your company's first tax year

Documenting Reasonable Mileage

When it comes to the tax law, there is no reasonableness test for mileage.

In fact, tax code Section 274 specifically discards the reasonableness standard and puts in its place strict substantiation rules.

To protect yourself and ensure that you aren't missing out on any mileage-related deductions, it is recommended that a mileage log be kept for at least three consecutive months to prove your percentage of business miles versus personal miles. The three-month log concept comes from the IRS sample method described in its regulations.

You then apply this three-month percentage to either:

your actual car expenses for the year, or

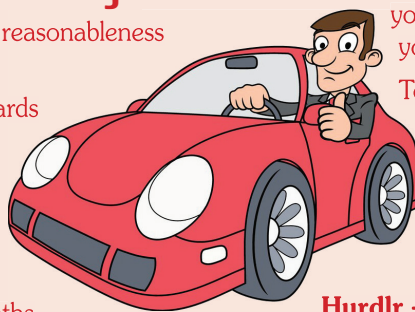
your mileage for the year (assuming you deduct your vehicle using IRS mileage rates).

To make it easy on yourself, use a mileage log app. Here are a few of the top-rated apps for small businesses:

MileIQ – For small businesses who want a budget-friendly, no frills app starting at \$0 monthly.

Hudlr – For small businesses who want to automatically track mileage, expenses, income streams, and tax deductions in real-time.

TripLog – Great for small businesses who need to track mileage for a sales team.



Succeed In The Digital Workplace

Today's workplace is digital. No matter what your job is, you've got to have some capacity for dealing with the technology that's permeating society. From the Forbes magazine website, check out these keys to keeping up:

- **Develop "digital fluency."** You don't have to become an expert at Blockchain or Bitcoin, but you should have a good working knowledge of what's happening with technology. Be ready to study up on the latest new thing so you can ask intelligent questions and learn what's applicable to your career.
- **Sharpen your communication skills.** From email and text messaging to social media platforms, most of the new technology is about communication. Learn to write and speak clearly and



concisely, but also creatively, no matter what your message is. You want your words to stand out, so make sure people can understand what you're trying to say.

- **Learn sales and marketing skills.** Even if you're not directly involved in sales, you should have a good understanding of what's needed in

order for your organization to generate revenue and stay in business. That means figuring out how all the latest tech can help your sales and marketing people do their jobs better.

- **Be ready for change.** There seems to be a new tech tool coming out every week. You've got to be able to quickly adapt to changes in the digital world if you want to keep up. Be on the lookout for what's coming, and be ready to learn what's necessary to put those tools to work effectively.



All's Well That Ends Well, Especially In Business Meetings

When a meeting drags on too long, it loses effectiveness. You'll get better results if you know how to bring your meetings to a

firm conclusion. Follow these tips for drawing to a powerful close:

- **Leave enough time.** When planning your agenda, build in enough time to finish things off right. Review what you've decided, reinforce the actions that need to be taken, answer questions, and outline expectations. Don't be in a rush to get back to work before making sure everyone knows what to do next.

- **Repeat key items.** During the conclusion, write down every action that needs to be taken as a result of the meeting; assign each action to a person, with a specific deadline; and distribute copies of these assignments to everyone as a follow-up.

- **Finish on time.** A meeting that ends on time will earn you the respect and gratitude of everyone who attends. It will also force everyone (including you) to be sharp during the meeting and stay focused on the agenda. The worst meetings are those that keep going long after anything worthwhile has been accomplished. Write an agenda, stick to it, and end on time.

Are You In Need of a Trusted Business Advisor?

If you are not my client and would like to explore whether we might be a good fit, please contact me. As an experienced business advisor, I have worked not only in private and public industries but also across many functional areas and can help you implement best practice solutions to improve profits.



Do You Have A Tough Accounting / Finance Question You Want Answered?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have relating to small business. If you have a question, tip or idea, please call me at 352-450-2880 or email me at dwight@dlhulseconsulting.com. Perhaps I'll feature you in a future issue!

SOME STRATEGIES TO REDUCE WORKDAY STRESS

According to motivational humorist and president of Corporate Comedy, Jeff Justice, on his website, www.JeffJustice.com, there's nothing like a good sense of humor to lick the daily wounds that stress can leave us with. Here are a few of his suggestions for reducing stress:

- **Remember to laugh** well, especially, at yourself. Many studies have found that laughing is

good for you, and there are even “Laughing Yoga” classes available in some cities. Justice says you should laugh at least 10 times a day, with five of those times being ones in which you laugh at yourself.

- **Balance your lives.** Everybody experiences ups and downs, almost every single day. Some meditation experts call this “wild mind.” Remember your experiences are on a continuum and you want to keep yourself somewhere in the middle to stay balanced.

- **Do deep breathing and stretching** exercises. Most modern workers spend far too much time sitting at desks or commuting. Get up and stretch. Move your body around and get your energy flowing again.

- **Allow yourself the luxury** of making one mistake or being imperfect once a day. You will burn out quickly, if you get caught up in perfectionism.

- **Make a list of things** you like to do, and remember to do one of them at least once a day.

- **If you have to pay** at a toll booth on your way to work, pay for the person behind you.

- **Don't feel like you have to act serious** all the time to be taken seriously. Lighten up at work. Then see how those around you respond.



“On paper we have the perfect team.”

Keeping a Time-Spent Log

If you claim your status on your tax return as “real estate professional” that allows you to deduct your rental property losses, you will need to prove the following in your time records:



- 1 That you spent more than one-half of your personal service time in real property trades or businesses in which you materially participate, and

- 2 That you spent more than 750 hours of your personal and investor services time in real property trades or businesses in which you materially participate.

If you are married, either you or your spouse must individually qualify as a real estate professional. If one of you qualifies, both of you will qualify.

Achieving real estate professional status is the first of two steps. There is an additional hurdle that you face:

To deduct tax losses on a rental, you also must prove that you materially participated in the rental activity. If you are married, you and your spouse may count your joint efforts toward passing the material participation tests.

Most of the tests for material participation are based on hours worked. That being said, it is best to keep a time log.

In an audit of your real estate activity, here's what the IRS tells the examiner:

“Request and closely examine the taxpayer's documentation regarding time. The taxpayer is required under Reg. Section 1.469-5T(f)(4) to provide proof of services performed and [of] the hours attributable to those services.”

If the information the IRS wants isn't available at the time, your odds of winning your rental property tax loss deductions are slim to none. Unfortunately, the logs can't be created after the fact. Most everyone who spends the considerable time trying to do so using the IRS spreadsheets ends up losing the deductions.

Quotes:

“Employees who believe that management is concerned about them as a whole person — not just an employee — are more productive, more satisfied, more fulfilled. Satisfied employees mean satisfied customers, which leads to profitability.” — **Anne M. Mulcahy**

“Without hard work, nothing grows but weeds.” — **Gordon B. Hinckley**

“All growth depends upon activity. There is no development physically or intellectually without effort, and effort means work.” — **Calvin Coolidge**

“Success is not the absence of failure; it's the persistence through failure.” — **Aisha Tyler**

“The art of leadership is saying no, not yes. It is very easy to say yes.” — **Tony Blair**





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See What's Inside...

How Family and Medical Leave Benefits Benefit Your Small Business

Documenting Reasonable Mileage

Succeed In The Digital Workplace

All's Well That Ends Well, Especially In Business Meetings

Some Strategies To Reduce Workday Stress

Keeping a Time-Spent Log

Lessons From A Pillow Brand

Disclaimer: Any accounting, business, or tax advice contained in this communication, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties.

LESSONS FROM A PILLOW BRAND

Mike Lindell is the inventor of MyPillow, a popular pillow brand, and CEO of a manufacturing company. He's also a veteran entrepreneur, having run many successful businesses throughout his career. On the Small Business Trends website, he shares his tips for success:

- **Watch for deviations.** Anything out of the ordinary can be a sign of problems or opportunities. Keep a close eye on what's happening in your business so you can respond quickly.

- **Learn from other people.** Cultivate a wide network of colleagues. Seek their advice and listen to it. You can't know everything, so outside counsel can help you keep up to speed.

- **Get a lawyer.** You have to have solid legal advice to avoid problems. Consult with your attorney often, especially on employment issues.



- **Be willing to take chances.** No entrepreneur succeeds by playing it safe 100 percent of the time. Assess your tolerance for risk and get comfortable taking (reasonable) chances.

- **Listen to customers.** Get feedback from the people you do business with, and use the information to strengthen your operations.

- **Hire people with passion.** You already have a passion for your brand. Hire employees who feel the same commitment to your industry and to helping customers.

- **Communicate.** Keep the lines of communication open with employees, customers, suppliers, and anyone else your business depends on.

- **Treat people right.** Employees want to feel valued. Customers do, too. Go out of your way to recognize good performance, and thank people for their support.

Family and Medical Leave Benefits

Continued from page 1

that begins after December 31, 2017, your written family and medical leave policy must be in place before the paid family and medical leave for which the credit will be claimed.

However, under a favorable transition rule for the first tax year beginning after December 31, 2017, your company's written leave policy (or an amendment to an existing leave policy) will be considered in place as of the effective date of the policy (or amendment) rather than the later adoption date.

That said, if you make the effective date of the policy January 1, 2019, your company can claim the credit for qualifying family and medical leave payments made on or after that date. This transition rule is available if:

- 1) The policy or amendment is adopted on or before December 31, 2019, and
- 2) You bring your leave practices into compliance with the terms of the retroactive policy (or amendment) for the entire period covered by the policy (or amendment), including making any retroactive leave payments by no later than the last day of the tax year.