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The CFO Advisor

Guidance for Small Business Success™

Welcome to the May edition of "The CFO Advisor." They say April showers bring May flowers, so I hope the month of May brings you flowers, friendships, and fun!

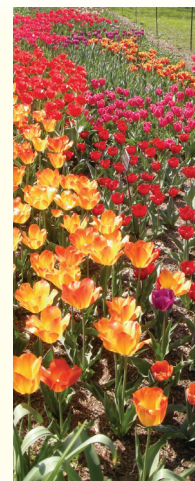
This month starts off with defining 'sales tax nexus,' if it is applicable to you and your business, and the steps you need to take if you have established nexus. Next, an article titled, "Beware: Employment Taxes," which explains what (employment) taxes are and when you need to pay so you don't get penalized.

Then we follow with a very informative and helpful article on how to increase your online security with tips from an expert. Following are articles to increase creativity, establish integrity, and the common mistakes that you should NEVER make twice.

Read on to learn about the effects our favorite morning beverage have on our bodies and effective ways to eliminate confusion in communication.

Enjoy this month's edition! Until next time,

Dwight L. Hulse, CPA/CITP, CGMA



Sales Tax Nexus: Does it Exist For Your Business?

You've likely heard the term nexus mentioned, but do you know what it really means? While the term nexus relates to several different matters; herein, we're going to focus on nexus as it relates to sales tax. In brief, sales tax nexus means that if an out-of-state business has a sufficient physical presence in a state, then that business is subject to the sales tax rules of that state or jurisdiction. The physical presence of a business within a state is the determining factor of whether the out-of-state business selling products within a state is required to collect sales or use tax on sales in that state. Nexus (i.e. the physical presence) is required before the state can impose taxes on a business.

Examples of sales tax nexus in a state are as follows:

- The business having a physical location in the state (i.e. corporate office, satellite office, warehouse);
- Resident employees working in the state; and
- Employees, such as sales people, who regularly solicit business in the state.

If your company maintains a temporary or permanent presence of people or property in a state, nexus has been created, and your business is subject to the sales tax rules of that state. Sales people and other employees visiting

states to call on customers or prospective customers, attending trade shows, or having consigned inventory in warehouses create the temporary presence nexus in a state.

Each state has its own set of nexus rules. Therefore, if your business has a temporary or permanent presence in different states, it is imperative to check to see what that state's nexus rules are. If you find that your business does have sales tax nexus in a state, you will need to do the following:

1. Register to conduct business in that state;
2. Charge sales tax to customers who reside in that state; and
3. File a sales tax and income tax return in that state.

Note that having a nexus in a state doesn't just apply to sales tax, it also applies to income tax as well. If you meet the requirements of having nexus in a state, not only will your business be required to collect sales tax on certain products and services, but you will also be required to pay state income tax on income generated in that state. If your business has a nexus in multiple states and you are generating income within those states, your business will be filing multiple sales tax and state income tax returns. ♦



TAX CORNER

Beware: Employment Taxes

If you're a business owner and have employees, you are aware that there is a mandatory requirement to timely pay employment taxes. But what exactly are employment taxes?

Employment taxes are withheld federal income tax, withheld social security and Medicare taxes, and withheld Railroad Retirement taxes. These taxes are referred to as trust fund taxes because you (the employer) holds the employee's money in trust until you make the federal tax deposit. As an employer you are required to withhold certain taxes from the employees' paychecks. The amount withheld from the employee's paycheck depends on the number of allowances the employee is claiming, which they report on Form W4.

As the reporting requirement for the deposit of these funds is not the same for all businesses, be sure that you know when your business is required to deposit the funds. In addition to all other payroll needs, payroll companies also handle the deposit of the employment taxes. Even though you may have your payroll services provider handling the employment tax deposits, it is a good idea to know what the due dates of the deposits are, and to regularly check to make sure that the deposits are being made timely and in the right amounts.

It is important that you pay your employment taxes because if you don't, and you are considered a responsible person of the business, you can get hit with the Trust Fund Recovery Penalty (TFRP). A responsible person is a person, or a group of people, who has the duty to perform and the power to direct the collecting, accounting, and paying of trust fund taxes. The person can be any of the following:

- An officer or an employee of a corporation;

- A member or employee of a partnership;
- A corporate director or shareholder;
- A member of a board of trustees of a nonprofit organization;
- Another person with authority and control over funds to direct their disbursement;
- Another corporation of third-party payer;
- Payroll Service Providers (PSP) or responsible parties within a PSP
- Professional Employer Organizations (PEO) or responsible parties within a PEO; or
- Responsible parties within the common law employer (client of PSP/ PEO)

The Trust Fund Recovery Penalty is a penalty imposed against any responsible person who is required to collect, account for, and pay over taxes held in trust who willfully fails to perform any of these activities. The TRFP may be imposed for:

- Willful failure to collect tax;
- Willful failure to account for and pay tax; or
- Willful attempt in any manner to evade or defeat tax or the payment thereof.

For willfulness to exist, the responsible person:

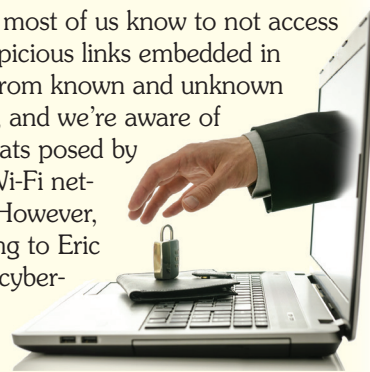
- Must have been, or should have been, aware of the outstanding taxes; and
- Either intentionally disregarded the law or was plainly indifferent to its requirements.

If you have any questions relating to employment taxes and payroll services, please don't hesitate to reach out to our office!



Increase Your Online Security

Now most of us know to not access suspicious links embedded in emails from known and unknown sources, and we're aware of the threats posed by public Wi-Fi networks. However, according to Eric Cole, a cyber-security expert and author of *Online Danger: How to Protect Yourself and Your Loved Ones From the Evil Side of the Internet* (Morgan James Publishing), there are two more areas where most of us can focus some attention and make changes in an effort to improve our chances against the risks of identity theft:



1. Reconsider your credit card use. Cole suggests having at least three or four credit cards to handle all of your needs. He recommends only using your debit card at ATMs to withdraw money. Have a dedicated credit card for fixed and recurring monthly payments such as health club memberships and lawn service payments. Use one credit card for online purchases and a different one for in-person transactions. Having a low line of credit on each card will prevent you from overspending while allowing you to isolate your vulnerability.

2. Separate your high-risk and low-risk activities. Use one device, such as a tablet or a laptop, to surf the web, access emails, and shop through retailer apps. Dedicate a different laptop or even a desktop for encrypted activities such as online banking and online investments. Keep your virus protections current on every device, and be mindful about how you use them.

Quotes:



"An optimist laughs to forget. A pessimist forgets to laugh." — **Tom Nansbury**

"The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand." — **Vince Lombardi**

"Leave your ego at the door every morning, and just do some truly great work. Few things will make you feel better than a job brilliantly done." — **Robin S. Sharma**

"If you don't take risks, you'll have a wasted soul." — **Drew Barrymore**



Quick Tips To Inspire Your Thinking

Creativity doesn't conform to any strict rules — but it does follow some general guidelines. Here are some quick thoughts on nurturing the spark of inspiration:

- ★ If it's not broken, break it.
- ★ Ask "dumb" questions.
- ★ Don't obsess over success — pursue failure.
- ★ Get out of your office as much as possible.
- ★ Read unusual stuff, not just journals that relate to your industry.
- ★ Avoid moderation. Go for it all.



Show Your Integrity

Your most powerful asset as a leader in your organization is your integrity. Talking about integrity is easy, but how do you build it within yourself? It takes three steps:



- **Identify your values.** How do you judge the rightness and wrongness of actions?
- **Act in accordance with your values.** Remind yourself that these values are important to your sense of identity.
- **Communicate your values.** Don't lecture, but your team know how your values influence your actions.

Seeing the future

A woman had her palm read by a fortuneteller at a street fair.

"Hmm," the fortuneteller said upon examining the woman's palm.

"You will be poor and unhappy until you are 50."

"Well, that sucks," the woman said. "Please tell me I win the lottery once I turn 50 and live happily ever after."

"No, you'll be poor after the age of 50 as well," the fortuneteller replied. "You'll just be used to it by then."



Don't Commit — Or Repeat — These Common Errors

Everyone makes mistakes. High achievers strive to never make the same mistake twice. Pay attention to these missteps you don't want to repeat:



- **Trying to change people.** You can coach, mentor, or advise the people around you, but ultimately you can't change their personalities. Work with them as they are instead of trying to mold them into something they're not.
- **Doing the same thing over and over.** If you're not getting the results you want from one activity or tactic, stop doing it. Find a new approach instead of hoping for a miracle.
- **Focusing on the short term.** Today's success can turn into tomorrow's catastrophe if you're not thinking ahead. Learn to anticipate obstacles so they don't derail you.
- **Cutting research short.** You've got a tough decision to make. Be sure you have all the facts before you make a choice. Don't overanalyze problems, but take the time to gather the information necessary to make the best decision instead of rushing ahead with incomplete data.
- **Blaming others.** Learn to look for solutions instead of scapegoats. Take responsibility for errors when it's warranted. Otherwise, don't waste time pointing fingers — and making enemies.



"That's Mildred's grandson. We have him in once a week for tech support."

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 dwright@dlhulseconsulting.com. Perhaps I'll feature you in a future issue!



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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.

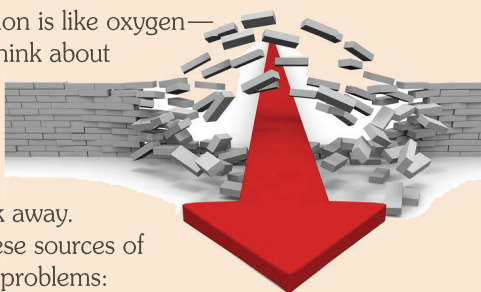
Eliminate Obstacles To Communication

Communication is like oxygen — you don't think about

how much you need it until it's cut off. Don't

let a good atmosphere leak away.

Look out for these sources of communication problems:



• **Environmental factors.** Take a look around in your company — and listen. Do co-workers have enough privacy to talk on the phone — or so much that they are constantly on their phones and rarely talk to each other? Is there sufficient light? Is the workspace too noisy? All of these distractions can detract from smooth communication in any direction.

• **Organizational design.** Does the org chart permit rapid communication between levels? Do you and other managers make time to listen to employees? Look for bottlenecks and barriers — requests that have to go through intermediaries for no good reason, for instance.

• **Body language.** Pay attention to nonverbal cues. When an employee speaks to you, do you give your full attention? Do people sit close together at meetings or spread out, increasing the psychological distance between them? Eliminate bad habits, like not looking people in the eye, that impede messages.

Health Benefits Of Coffee For (Almost) Everyone

Is coffee good for you? Bad? The arguments go on and on, but a meta-analysis of 127 studies on the question by the University of Catania in Italy has found that drinking coffee is associated with the following health benefits:



1. Decreased risk of breast, colorectal, colon, endometrial, and prostate cancers, among others, from 2-20 percent depending on the cancer type.
2. Five percent reduction in risk for cardiovascular disease.
3. An approximately 30 percent lower risk for both Type 2 diabetes and Parkinson's disease, thanks to coffee's ability to improve enzymes that regulate glucose and insulin metabolisms.
4. A lower death rate. Coffee's natural antioxidants reduce free radicals that can damage cells and cause aging.

It's also an anti-inflammatory that calms you down so you don't overact to stress. One group that should avoid coffee, however, is pregnant women. Coffee, the study notes, can increase the risk of miscarriage.