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The CFO Advisor

Guidance for Small Business Success™



Welcome to the **October** edition of “The CFO Advisor!” Looking forward to seeing the leaves change color and the brisk touch of fall.

Tax reform is in full affect and the first article of this month shares common tax increase surprises and the things you must look out for! Some individuals thought that these changes would make things easier but there are quite a few complexities.

We continue with tips on staying healthy, safe, and focused, plus an easy to follow article on breaking through barriers to be more creative.

Enjoy! Until next month...

Dwight L. Hulse, CPA/CITP, CGMA



Common Tax Increase Surprises

TAX CORNER

By now, we all know about the changes, or at least some of the changes that have been brought about because of the Tax Cuts and Jobs Act (TCJA), also known as the new tax reform. What tax increase surprises have already been in place and might we expect because of the recent tax law changes? Some of the common areas where changes might take a taxpayer by surprise include:

- Cap on state and local tax deductions (SALT)/\$10,000;
- Elimination of personal exemption;
- Elimination of miscellaneous itemized deductions;
- Elimination of the deduction for home equity line of credit (HELOC) interest used for other purposes other than to buy, build, or improve your home; and
- Earnings while receiving social security benefits.

Let's talk a little about each of the above categories.

Cap on SALT deductions.

California, New York, New Jersey, Illinois, Massachusetts, Connecticut, and the District of Columbia are states most severely impacted by the \$10,000 cap on the SALT deduction. The reason why the SALT deduction has a more severe impact on the states mentioned is because

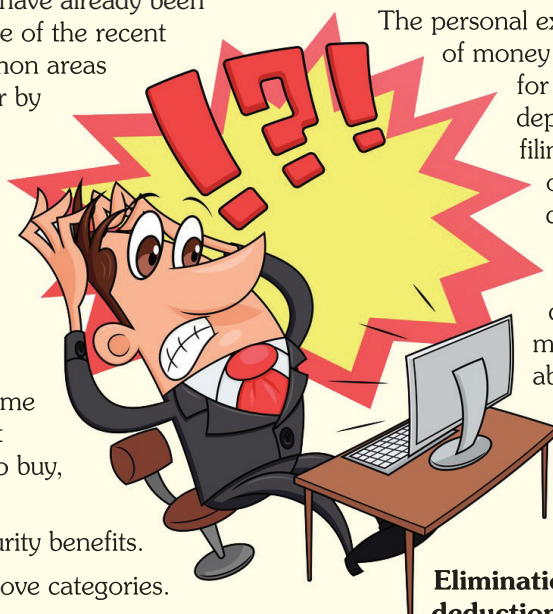
these states have taxpayers with significant amounts of taxes that exceed the \$10,000 cap, which cannot be deducted.

Elimination of personal exemptions.

The personal exemption was a specific amount of money that could have been deducted for yourself and for each of your dependents. It did not matter what your filing status was, prior to the passing of the TCJA, a taxpayer was able to deduct the specific amount. For tax year 2017, that specific amount was \$4,050. The personal exemption deduction was eliminated, which means that taxpayers are no longer able to take a personal exemption for themselves or their dependents. Though the personal exemption deduction was eliminated, the standard deduction amount was increased.

Elimination of miscellaneous itemized deductions.

Expenses such as unreimbursed employee expenses, tax preparation fees, investment expenses, hobby expenses, and expenses to fight the IRS are no longer deductible. Taxpayers who have a lot of unreimbursed employee expenses are impacted the most.



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Common Tax Increase Surprises

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Under the TCJA, individuals are no longer able to deduct unreimbursed employee expenses. If their place of employment does not offer a reimbursement plan, which most businesses were forced to initiate after the passing of the TCJA, the individuals will not be able to recoup those unreimbursed expenses.

Elimination of HELOC interest deduction

IRS issued bulletin IR-2018-32 states the following:

"Despite newly-enacted restrictions on home mortgages, taxpayers can often still deduct interest on a home equity loan, home equity line of credit (HELOC) or second mortgage, regardless of how the loan is labelled. TCJA suspends from 2018 until 2026 the deduction for interest paid on home equity loans and lines of credit, unless they are used to buy, build or substantially improve the taxpayer's home that secures the loan."

Earnings while receiving social security benefits.



If your only income source is social security, the social security is not taxable. However, if you are receiving social security retirement benefits, and you have certain other sources of income, there are a few things that you should know. **1)** If your combined income (certain other income), plus half of your social security exceeds the threshold amounts (between \$25,000 and \$34,000) if a single filer (between \$32,000 and \$44,000) if married filing jointly, up to 50% of your social security benefits may be taxable. **2)** If the combined income amounts exceed the dollar amounts mentioned, then up to 85% of your benefits can be taxable. **3)** If you are married and file a separate tax return, your social security benefits will likely be taxable. **4)** In addition, if you are not of full retirement age and you earn more than the threshold amount, your benefits will be reduced \$1 for every \$2 that you earn over the limit. Once you reach full retirement age, there is no limit to the amount that you can earn and still receive your full social security retirement benefit. For tax year 2018, if you are not of full retirement age, \$17,040 is the maximum amount that you can earn without your benefits being affected. ♦

Feed Your Career Ambitions With The Right Strategy

If you're an ambitious, talented worker you probably hope to rise to the top of your organization someday. Here's how to prepare for advancement:

- **Don't rush things.** It's fine to let people know you have goals, but don't be arrogant. If you walk into a new job expecting to run the place in six months, you'll alienate the people whose support you need to move up. Take time to learn your job and upper management's expectations.
- **Pick a good mentor.** You'll need inside information on how to survive and rise in your

organization and industry. Identify someone with the skills and knowledge you can use to move up the ladder—maybe someone already in the position you want to work toward, or close to it. Listen to your mentor's advice, and respect it. Becoming a good leader is a process of listening to people who know things you don't.

- **Study your CEOs.** You may not be eligible for the top job for years, but now is the best time to find out what sort of person rises to the top of your industry. Do leaders have a predominantly financial background, or do they tend to come from marketing? Learning about these kinds of issues will help you decide what assignments to pursue and what you need to learn.



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.



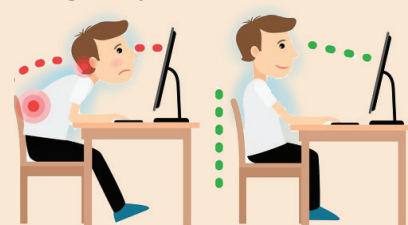
Do You Have A Tough Accounting / Finance Question You Want Answered?

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!

Follow These Tips For Workstation Safety

Most of us spend a lot of time at the computer — and that puts us at risk for injuries to the neck, back, and arms. Every so often, then, it's worthwhile to review some basic precautions for working safely:

- Use a chair with a seat height, angle of recline, and tilt that can be adjusted.
- Set your shoulders in a relaxed position, rather than hunched up or rounded.
- Place your feet flat on the floor (preferable) or flat on a footrest.
- Hold your wrists as straight as possible, rather than angled sharply up, down, or to the side.
- Place the monitor directly in front of you, so you look straight at it, rather than having to twist your neck toward the screen.
- Position the monitor 18 to 28 inches from your eyes. Set the height of the monitor so that its top is approximately an inch below your eye level.
- Be sure your arm is supported when you are using the mouse.
- Place the items you use frequently (such as pens, reference books, etc.) near you, so you don't have to stretch or twist to reach them.
- Adjust your lighting to reduce glare on your work surface or the monitor.



BUILD A CASE FOR SHAKING UP YOUR ORGANIZATION

Some changes are small and incremental. Others are bold and unsettling — a shift in strategy, a major acquisition, or an organization-wide restructuring, to name a few. Leaders must know how to sell these game changers to their employees or risk getting bogged down by uncertainty and active resistance. Here's what to do:

1) Analyze the need for change.

Don't just regurgitate superficial explanations about strategy and the economy. Dig deep into what's driving the change so you can argue convincingly that it's necessary. A sudden drop in revenue can seem like a temporary blip to your workforce, but the loss of a significant portion of your market due to new technologies may require dramatic action. Employees will respond when they see you honestly laying out what's at stake.

2) Evaluate your current culture. Workplace culture is a product of history, evolution, and the individual personalities of the people who work there. You can't assume that what worked in one organization will take root in your own. Spend some time thinking through where your people have come from and what they've gone

through. You'll do a better job of positioning your brand-new strategy in terms they'll accept.

3) Personalize the stakes. Change means different things to different groups and individuals. Some worry about job security, others bemoan the amount of work involved, and still others are genuinely concerned about the future of your company. Find out what employees are focused on, and tailor your approach to fit their positions. A generic, one-size-fits-all argument won't be as effective as a series of targeted, meaningful reasons why change is imperative to everyone's future.

4) Tell stories. Facts and figures go only so far. You and your fellow managers up and down the org chart should



"Let's not go where the path may lead ... let's just blow a big hole and make a new path."

engage employees with human-size stories of what change means. Talk about how your organization has grown and shifted since its beginnings, and what might happen if change fails — and what will happen once you've succeeded. Stories can bring the issues to life in ways that a pie chart can't.

Quotes:



"If you really want the key to success, start by doing the opposite of what everyone else is doing." — **Brad Szollose**

"Calm mind brings inner strength and self-confidence, so that's very important for good health." — **Dalai Lama**

"People carry their loved ones with them. They are forever present." — **Tove Jansson**

"To enjoy the glow of good health, you must exercise." — **Gene Tunney**

"Money speaks sense in a language all nations understand." — **Aphra Behn**





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Break Through Your Creative Blind Spots

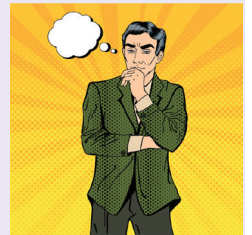


Even when searching for a radical, groundbreaking, cutting-edge idea, most people focus their creative energies on the tried and true, the things they know for sure, the stuff that's worked in the past. This leaves us vulnerable to blind spots in the creative process. To open your mind, seek the answers to some of these questions:

- **What don't you know?** Identify the gaps in your knowledge. You may find some relevant information by exploring ideas you hadn't thought about before.
- **Who else should you ask?** Whether you're working alone or part of a team, chances are other people have some good insights you could use. Reach out beyond your small circle for new concepts and viewpoints.
- **What should you not do?** Maybe you're focusing too hard on one aspect of your problem or project and missing other options. Eliminate processes or ideas that don't add value, no matter how attractive they seem.
- **What competition do you face?** Look to the future and speculate on how other organizations might respond to your success. You may be able to spot oncoming problems and different possibilities before they arise.

Hiring Managers Go For 'Gut Feelings'

In an ideal world, you'd win a job because of your qualifications and experience. The real world isn't quite so straightforward. A survey reported by the U.K.-based People Management website found that 28 percent of hiring managers rely on their gut instincts when making hiring decisions, while 23% use experience to guide their choices and another 23% depend on a candidate's interview performance. Only 8 percent regard qualifications as the primary reason behind their decision. In another survey cited by the website, many managers start to make their decisions about hiring even before a candidate arrives at an interview, with 74% relying on social media to check out candidates ahead of time.



Road Rules When Jane's car stalled in the middle of a busy intersection, no amount of wishing and praying could get the engine to turn over. Just as she turned on her hazard lights, the guy in the car behind her began to lay on his horn, and he continued to honk even as other cars began to pull around. Jane walked back to the other driver and said: "My car won't start and I'm waiting for a tow, but if you think you can get it started, have at it. I'll sit in your car and honk at you."