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The CFO Advisor

Guidance for Small Business Success™

With just a couple of months remaining in 2019, now is the perfect time to start evaluating the current year's success, and prepare for a brand new year.

In this issue of "The CFO Advisor," we'll share several ways to start getting your business in tip-top shape before the ball drops on December 31.

We'll be touching on topics such as money management, goal setting, ditching bad habits, and most importantly — taxes.

But that's not it — there are lots of other must-know content packed into this issue. So sit back, relax, and enjoy the "read!"

Until next month...

Dwight L. Hulse, CPA/CITP, CGMA



What Makes a Gift Taxable?

Taxpayers who give money or property to others may wonder about the federal gift tax and if it applies. Most gifts are not subject to the gift tax.

Here are seven tax tips about the gift tax and giving:

1. Nontaxable Gifts. The general rule is that any gift is potentially taxable. However, there are exceptions to this rule. The following are nontaxable gifts:

- Gifts that do not exceed the annual exclusion amount for the calendar year.
- Tuition or medical expenses a taxpayer pays directly to a medical or educational institution for another person.
- A taxpayer's gifts to their spouse.
- Gifts to a political organization for its use.
- Gifts to charities.

2. Annual Exclusion. For 2019, the annual exclusion amount is \$15,000. Most gifts are not subject to the gift tax. For example, there is usually no tax if the taxpayer makes a gift to their spouse or to a charity. If a taxpayer makes a gift to another person, the gift tax usually does not apply until the value of the gift exceeds the annual exclusion amount for the year.

3. No Tax on Recipient. Generally, the person who receives the gift will not have to pay tax on it.

4. Gifts Not Deductible. Making a gift does not ordinarily affect the taxpayer's situation. A taxpayer cannot deduct the value of the gifts they make (other than deductible charitable contributions as subject to the tax code).

5. Forgiven Debt and Certain Loans. Taxpayers who forgive debt or make a loan interest-free or below the applicable market interest rate may be subject to the gift tax.

6. Gift-Splitting. A taxpayer and their spouse can give up to \$30,000 to a third party without making that gift taxable. Taxpayers need to consider one-half of the gift as from them and one-half given by their spouse.

7. Filing Requirement.

Taxpayers need to file Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, if any of the following apply:

- The taxpayer gave gifts to at least one person (other than their spouse) that amounts to more than the annual exclusion for the year.
- The taxpayer and their spouse are splitting a gift. This is true even if half of the split gift is less than the annual exclusion.
- If the taxpayer gave a person (other than their spouse) a gift of a future interest that the recipient can't actually possess, enjoy, or from which that person will receive income later.
- A taxpayer gifting their spouse an interest in property that will terminate due to a future event.



For more information, or if you have any questions, please feel free to contact your tax specialist.

Small Business Tax Tip: Separate Business and Personal Accounts

One of the biggest mistakes small business owners make is commingling business and personal funds. They fail to set up separate business-only bank accounts. They may pay for business expenses out of a personal account, or vice-versa.



When tax time rolls around, these entrepreneurs find themselves in a self-created mess trying to sort out personal from business expenses. Additionally, if you're unlucky enough to get audited, it makes things even tougher.

It can be especially challenging if the business is structured as an S-corp because the money transferred to the business is deemed capital contributions, and the amounts transferred back to the taxpayer are sorted as being general distributions rather than repayment of a loan. This means the taxpayer can end up with a deemed "wage" even if the business did not make a profit and owe thousands in payroll taxes on the money transferred out of the company.

If you're one of the 20% of business owners who's still not operating out of business exclusive bank accounts, you're making a mistake. Not only should you set up separate banking accounts for your business, but it's also recommended that you obtain a credit card that you use exclusively for business-related purchases. Not only will it help you keep track of business expenses, but it will also help you build your business credit score.

Five Surgeons

Five surgeons were talking about the best patients. The first surgeon said, "Accountants are the best to operate on, because when you open them up, everything on the inside is numbered."

The second surgeon said, "Nah — librarians are the best. Everything inside them is in

alphabetical order."

The third surgeon responded, "Try electricians, man! Everything inside them is color coded!"

The fourth surgeon said, "I prefer lawyers. They're heartless, spineless, and gutless."

To which the fifth surgeon said, "I like engineers. They always understand when you have a few parts left over at the end."



IMPROVE YOUR SELF-DISCIPLINE

Success in any endeavor is a matter of self-discipline. If you can't stay focused on your goals, you'll never achieve them. *The Ladders* website shares this list of tips for improving your self-discipline:

- **Start on Monday.** Begin working on your goals on the first day of the week. Researchers say this can help you follow through.

- **Write down the reasons behind your goals.** Positive affirmations can solidify your goals in your mind and help you stay focused.

- **Visualize the benefits.** Think about what you'll gain as you work toward your goals and eventually achieve them. They'll become more real in your mind and help you work past obstacles.

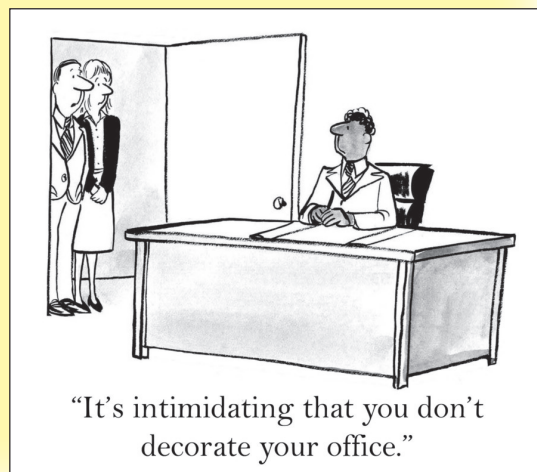
- **Plan for temptation.** You'll sometimes want to abandon your goals, or at least set them aside. Think about how you can respond — "If I want to quit early, I'll work 10 more minutes before making a final decision."



- **Combine needs and wants.**

For example, if you have to go to a networking event, concentrate on meeting old friends as much as on making new contacts. Or plan a reward once you've completed a particular step toward your goal.

- **Don't make snap decisions.** A quick decision can easily lead you down the wrong path. Teach yourself to analyze information and consider your options before going ahead on a new move.



"It's intimidating that you don't decorate your office."

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!

Take Clear Steps Toward Safety

Safety at work is everyone's responsibility. Whether you're an owner or an employee, follow these guidelines for preventing accidents and injuries from the *Our Community Now* website:

- **Follow safety protocols.** This seems basic, but too many employees ignore simple safety practices.

Know what OSHA and other authorities recommend in your industry, and follow their recommendations.

- **Report hazards.** If you see anything that could lead to problems, report it immediately to your co-workers as well as your supervisor. Don't assume someone else will take care of the notification.

- **Keep stress low.** Stress can cause distractions and lead to accidents. Managers should pay attention to workloads and pressures. Employees should remember to take necessary breaks so they can refresh and recharge.

- **Keep first aid handy.** Every workplace should have a first aid kit that's easily accessible in case of an accident. Make sure everyone knows where it is, so no one has to hunt around when time is of the essence.

- **Plan for emergencies.** Do employees know what to do in the event of a fire or a shooting incident in your workplace? Work together to create an evacuation plan, and run a drill at least once a year.

Be Flexible When Setting Goals With Employees

The goalposts don't move in football, but goals at work can change at any time. Because part of your job as a manager is to set goals for your employees, you know that flexibility is important. But at the same time, you shouldn't move the goalposts without a good rationale. When considering whether to make adjustments, ask yourself these questions:

- **Are goals set too far down the road?**

Many managers set yearly or semi-annual performance goals with employees. If you find yourself having to shift goals more often, you may need to review your process and set objectives on a more frequent schedule to avoid the confusion that can come with changing priorities.

- **Does everyone understand your organization's strategy?**

Goals should be clearly aligned with what your company wants to achieve. Before signing off, be sure they're relevant and appropriate to your organization's objectives, so you don't have to change course unnecessarily.

- **Are you writing goals effectively?** Vague or unclear goals waste time and effort for everyone. One common framework for goals is the SMART test: They should be specific, measurable, attainable, realistic, and timely.

- **Is open communication encouraged?**

If employees are afraid to ask questions, they may accept goals that conflict with their knowledge of what's possible. You shouldn't impose goals on people without some input and feedback from them. That way, you'll both be confident of the outcome.

DITCH THESE FINANCIAL BAD HABITS

Want to handle your money better? Most of us do. *The Motley Fool* website advises breaking these three bad habits:

- **Paying bills late.** A few days or weeks may not seem to matter, but you'll be hit with late fees, interest, and damage to your credit rating. Do your best to pay all your bills on time. Set up reminders so you're always on schedule. Automatic payment is one reliable option.

- **Accumulating too much debt.** Not all debt is bad, as long as you manage it sensibly and pay it off in a reasonable time. If you can't pay off your credit cards and other debt by the end of the month, set up a budget that helps you monitor and control your spending before debt gets out of control and hurts your credit rating.

- **Not saving.** Putting money away can be difficult, but not saving any money is a mistake. You should have a reasonable cushion in case of emergencies — at least three months' worth of living expenses. Look for ways to cut costs, and set up a separate savings account so you're able to keep track of savings and spending money easily.



Quotes:



"The way to get started is to quit talking and begin doing." — **Walt Disney**

"Money and beauty are defenses against the sorrows of this world, but neither can undo the past. Only time will conquer time. The way forward is the only way back to innocence and peace." — **Dean Koontz**

"The true measure of the value of any business leader and manager is performance." — **Brian Tracy**

"Great leaders are almost always great simplifiers who can cut through argument, debate, and doubt to offer a solution that everybody can understand." — **Colin Powell**





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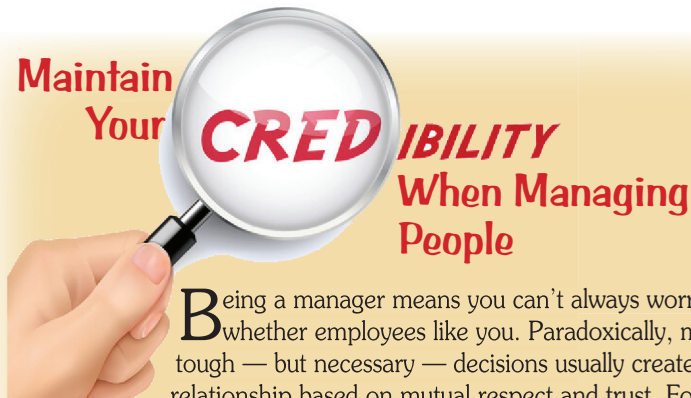
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Disclaimer: Any accounting, business, or tax advice contained in this communication, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties.



Being a manager means you can't always worry about whether employees like you. Paradoxically, making tough — but necessary — decisions usually creates a relationship based on mutual respect and trust. Follow these guidelines:

- **Set expectations, and stick to them.** You can't afford to back away from what has to be done. Be sure the organization's standards are realistic even if they're challenging, and resist the temptation to compromise in the face of resistance.
- **Don't pass the buck.** Blaming unpopular decisions on other managers erodes your authority. Take responsibility for what has to be done, even if you don't personally like it.
- **Negotiate with caution.** Flexibility is good, but don't bend your standards out of shape. You may have to make tradeoffs to get a certain project done, for example, but don't lose sight of your organization's objectives and values.
- **Keep objectives in plain sight.** Goals should be clear and immediate. If they're vague or too long-term, even the best employees may look for loopholes or procrastinate instead of committing themselves fully.
- **Establish and enforce consequences.** Employees should know what will happen if they don't meet your performance standards. More importantly, they need to believe you'll carry through on those consequences. Don't become a tyrant, but don't back down on issues that affect your organization's reputation and bottom line.

Tips For Smart Shopping

Whatever you're buying — groceries, airline tickets, clothes, or big-ticket products — saving money is always a good idea. Here are some tips from the *Good Housekeeping* website for being frugal when you spend:



- **Watch for tricks.** Stores sometimes play slow music to slow you down as you shop, enticing you to spend more time and more money. They also may highlight certain items with stickers and signs suggesting they're on sale when they're really not. You can find apps to check whether the price of a product is really a good deal.
- **Time your travel spending.** The best time to book airline tickets is two to five months ahead of time. Some say Tuesday is the best day to book if you want to get the lowest price. It's generally cheaper to fly on a weekday than on a weekend.
- **Save your online shopping basket.** Leaving items in your shopping basket without purchasing them right away may lead to a discount code offer a few days later to tempt you back. This is especially useful for big-ticket items.
- **Try it on.** Try on clothes in stores before you buy them. Changing rooms may be awkward or inconvenient, but you'll avoid making a mistake and having to go back to return an item — or just keeping it because returns are too much trouble.