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The CFO Advisor

Guidance for Small Business Success™

Welcome to the March 2021 edition of “The CFO Advisor” Newsletter!

With Tax Season in full swing, the office is busy with assisting clients update their accounting records. In this month's newsletter, we will remind you of how important it is to safeguard your personal information, what generally qualifies as a reason to abate IRS penalties, a list of good reads, and much more!

With so much interest about the Employee Retention Credit and the PPP, we included some good to know information in this month's newsletter.

Until next month...

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Your Identity is NOT Your Own!

How companies use your identity and what you can do to protect it.

One of the most valuable things you own is YOU. Your identity includes the basics – where you live, your age, and your gender. But it also includes your interests, who you know, and what you buy. So, do you know who has your identity? Here's the life cycle of your identity and what to do to protect it.

It gets collected. Think about the organizations that legally collect information about your identity – your employer, government entities, insurance companies, banks, credit reporting agencies, and non-profit organizations. And then add those companies you give your identity to freely – like Google, Facebook, LinkedIn, Twitter, and any other website or social media platform you visit.

It gets stored. Once your identity gets collected, it then needs to be stored somewhere. Storage is most often on servers or locally on a computer or mobile device. This is one of the core concerns with Tik-Tok, a Chinese-originated short video service. The concern is that a foreign entity will have stored U.S. citizen's interests and behaviors that can help identify potential targets that can be manipulated.

It gets sold. Once information related to your identity and interests are collected, most organizations then sell it to other companies. Not only is information about your identity sometimes collected without your knowledge, this information is then monetized. Your viewing behavior can also be actively manipulated by the sites you view. So if you read articles about cats, you are going to get a lot more articles about cats and get ads that relate to cat-lover behavior. This is often so subtle, you do



not realize it is happening.

It gets accessed. If your information is considered a public record, anybody can see it. Business licenses, property tax records, and real estate ownership are just a few examples of personal information that anyone can access.

It gets stolen. Identity thieves are always looking for ways to access your information. Thieves either hack one of the organizations that collects your confidential information or find a way to trick you into giving them your information with techniques such as phishing emails.

What can you do?

- **Opt-out of providing personal information.** The best place to start with protecting your identity is knowing who has access to it and asking if they really need it. Consider opting out of providing information, if possible.
- **Be vigilant with the data you possess.** While you can't control how secure an insurance company's servers are, you can control how secure you handle the information and documents you possess. Be on the lookout for phishing emails, verify requests for your information, and don't forget about getting rid of documents the old-fashioned way with a shredder.
- **Deliberately monetize your identity.** Stop giving away your identity without a thought. Here's an idea: consider you are worth a million dollars, then see what these services are paying you for your information and how they are using it. If this little exercise gets you to pause before signing up for a new service, then the exercise is worth it!

Who Qualifies for First-Draw PPP Money Today?



Two things to know about the Paycheck Protection Program (PPP) first draw enacted on December 27, 2020:

- The first draw is for those who missed getting in on the original PPP, which expired on August 8, 2020.

- Don't think of a PPP draw exactly as a loan.

You don't have to repay the PPP funds as long as you meet the requirements and use the funds in accordance to the rules.

Don't wait to see if you qualify. The money is going to run out fast, and once it's gone, so is the PPP. And the new PPP ends March 31, even if the money is not gone by then.

You may qualify for the PPP if any of the following are true:

- You file your taxes on Schedule C of your tax return. Businesses that file on Schedule C include independent contractors (often called 1099 folks), single-member LLCs, sole proprietorships, and statutory employees such as life insurance salespeople.
- You file your taxes on Schedule F (ranchers and farmers).
- You are a general partner in a partnership, but the partnership asks for and receives the money based on you and your other partners' combined self-employment incomes, as adjusted.
- You operate as an S corporation.
- You operate as a C corporation.
- You are the only worker in the business — but if you have employees in the business, you qualify on both your ownership worker status and your employees' W-2 status.

There are other rules to consider. If you haven't received your first PPP, it's important to look into it soon and apply if you qualify.

IRS Penalty Forgiveness Using Reasonable Cause

The IRS can waive penalties it assessed against you or your business if there was "reasonable cause" for your actions.

The IRS permits reasonable cause penalty relief for penalties arising in three broad categories:

1. *Filing of returns.*
2. *Payment of tax.*
3. *Accuracy of information.*

Contrary to what you might think, the term "reasonable cause" is a term of art at the IRS. This seemingly simple phrase has a precise and detailed definition as it relates to penalty abatement.



Here are three instances where you might qualify for reasonable cause relief:

1. *Your or an immediate family member's death or serious illness, or your unavoidable absence.*
2. *Inability to obtain necessary records to comply with your tax obligation.*
3. *Destruction or disruption caused by fire, casualty, natural disaster, or other disturbance.*

Here are five instances where you likely do not qualify for reasonable cause penalty relief:

1. *You made a mistake.*
2. *You forgot.*
3. *You relied on another party to comply on your behalf.*
4. *You don't have the money.*
5. *You are ignorant of the tax law.*

Good Books for Small Business Owners

There are thousands of great business books out there that can help you start a business, set and achieve goals, promote your business, manage your finances, and so much more. In fact, there are so many business books on the shelves that it can be overwhelming to determine which are worth reading.

Here is a list of five inspiring and actionable business books



that provide you, or the small business owner on your gift list, with advice, insight, tips, and resources for a boost to business success.

1. *Good to Great: Why Some Companies Make the Leap, & Others Don't* by Jim Collins.
2. *Think And Grow Rich* by Napoleon Hill.
3. *The E-Myth Revisited* by Michael Gerber.
4. *The Tipping Point* by Malcolm Gladwell.
5. *How to Win Friends & Influence People* by Dale Carnegie.

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!

Best Practices For Employee Appreciation

Use the following ideas to show your gratitude to your employees:

Acknowledge accomplishments right away.

The easiest way to recognize your employees for good work is to acknowledge their contributions right away. Show your appreciation in person to make the maximum impact. For example, you can congratulate employees for leading an important meeting successfully or for completing a major project on time and under budget.

Write a thank-you note.

When you can't show your appreciation right away or when the magnitude of the accomplishment deserves more than a quick "congratulations," put your gratitude in writing. Take the time to write a personal note or an email that conveys your genuine appreciation, including recognition of their hard work and acknowledgment of their professional growth.

Thank your team publicly.

While many people appreciate personal expressions of appreciation, it's also important to make your recognition public, especially when your team has accomplished something significant. To thank employees publicly, say a few words about their achievements at your weekly department meeting or your monthly staff meeting. You can also include a congratulatory note in your internal newsletter.

Celebrate traditions.

If your employees regularly contribute excellent work, recognize them on a regular basis. Create a tradition that everyone can look forward to, such as a monthly team-building or social event. In addition to showing appreciation to your employees, you can also strengthen team bonds and reinforce a positive work environment on a regular basis.

Ignore small mistakes.

Sometimes the best way to show appreciation is to give your employees leeway when they need it. If they make

small mistakes, such as missing a project deadline by a few hours or neglecting a minor task, allow them to try again rather than reprimanding them. Taking this tact shows that you appreciate their hard work and that you trust them to do their best.

Give a financial incentive.

To encourage employees to do their best, consider offering financial incentives. You can start small by offering gift cards to local stores or coffee shops. To recognize bigger accomplishments, offer quarterly, annual or project-based bonuses to team members who reach predefined goals or who make the most substantial contributions.

Offer extra time off.

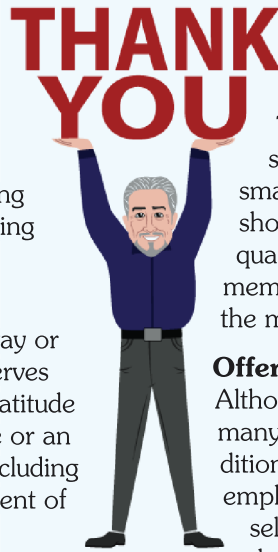
Although most employees value financial incentives, many also appreciate intangible rewards like additional time off. Consider giving top-performing employees an afternoon off each month, or allow select team members to adopt a flexible schedule during a given time frame. You can also show your recognition by allowing employees to work remotely, which is a benefit that people in most industries value highly.

Buy lunch for your team.

When you want to improve team morale and show appreciation to your employees at the same time, buy everyone breakfast, lunch, or coffee. Order into your office to save time, or make the occasion truly special by taking everyone out for a meal. As an additional reward, consider asking your team's top performers to choose the venue.

Create a rewards system.

If each of your employees has different preferences for receiving recognition, develop a rewards system that allows each person to choose their own incentives. Assign a certain number of points to major tasks and accomplishments, and track the points that each team member receives. Allow them to trade their points for rewards of their choice, such as days off or contributions toward continuing education.



Quotes: *"I love you not because of who you are, but because of who I am when I am with you." — Roy Croft*

"It's hard to beat a person who never gives up." — Babe Ruth

"The best time to plant a tree was 20 years ago. The second best time is now." — Chinese Proverb

"I wake up every morning and think to myself, 'how far can I push this company in the next 24 hours.'" — Leah Busque

"Whatever you are, be a good one." — Abraham Lincoln





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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.

Cold Smoothie

When you're under the weather, this Cold Buster Smoothie will come to the rescue. It's packed with all sorts of immune boosters and tastes amazing, too.

Ingredients.

- 1 banana, frozen.
- 1 large orange, peeled.
- 1 cup frozen mango chunks.
- 1/2 cup dairy-free yogurt, such as almond or coconut.
- 1 small carrot, peeled & coarsely chopped.
- 1/2 teaspoon ground ginger.
- 1/4 teaspoon ground turmeric.
- 1/2 cup orange juice, or more as needed.
- Handful of ice (this is optional).



Instructions.

Add all ingredients to the carafe of a blender and blend on high until smooth. Add more orange juice and/or ice to adjust the consistency, if desired. Pour into two glasses and serve immediately.

COVID-19 Relief Law Turbocharges Employee Retention Credit

Before the December 27, 2020, enactment of the new COVID-19 relief law, you may have chosen the PPP loan and given no thought to the employee retention credit.

Remember, under the original law, you had to choose between the retention credit and the PPP loan. Millions chose the PPP loan route.

But now the game has changed. You may, as a PPP recipient, qualify to take the employee retention credit retroactively for tax year 2020 and also going forward in tax year 2021.

Here are the key changes you as a PPP player need to know:

- PPP loan recipients can retroactively claim the 2020 employee retention credit for wages not paid with forgiven PPP loan proceeds.
- Wages paid from March 13, 2020, through December 31, 2020, qualify for the retroactive credit.
- Wages paid from January 1, 2021, through June 30, 2021, can qualify for the more significant 2021 credit.
- For 2021 quarters only, you qualify for the credit if your gross receipts for a calendar quarter are less than 80 percent of gross receipts from the same quarter in tax year 2019. Alternatively, you can elect to qualify for a quarter by comparing the gross receipts of the immediately preceding quarter with the corresponding quarter in 2019.
- For 2021 quarters only, the relaxed requirements for qualifying wages apply to businesses with 500 or fewer 2019 full-time employees.

There are other rules to consider so contact your tax specialist for questions.

