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Maryland Small Business Retirement Savings Program and Trust

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CONTRIBUTORS

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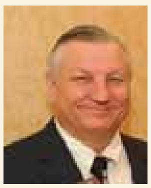


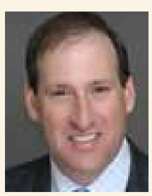
Al Giovetti is a CPA in Maryland with over 35 years of public accounting experience, Accreditation in Business Accounting (ABA, 1989), Tax Advisor (ATA, 1984), Retirement Advisor (ARA, 2007), and Principal, Giovetti and Giovetti Certified Public Accountants (1992 – current). Giovetti and Giovetti Certified Public Accountants is a full-service small CPA firm in Catonsville, Maryland. Al is currently serving as President on the Board of Governors for the National Society of Accountants (NSA).

Ron Grafman graduated from the University of Maryland in 1975. His first professional job was with the Internal Revenue Service as a Revenue Agent and gained 5 years of valuable experience. After leaving the IRS, he took a job with the Defense Logistics Agency in 1980. At the same time he began preparing tax returns for others as a part-time side business. By 1986, Ron's practice grew to a point where he needed to resign from the Federal Government working full-time in his own practice. Ron has been preparing returns for over 35 years and has a wide variety of clients preparing all kinds of tax returns. Most recently he has specialized in dealing with Non Resident Aliens and US citizens living abroad. Ron has been a volunteer for several professional societies including MSATP. He has served on the MSATP Board of Directors for 10 years which included 3 years as Treasurer and was the President from 2009-2010 which was the Society's historic 50th anniversary year.
Ron has also served on various committees, including the Education Committee, Long-Range Planning & Finance committees. Currently Ron serves as the Chair of the Nominating Committee and is a member of the Committee on Professional Regulation and Solo and Small Firm Committee. He is also an Ambassador at several of the seminars throughout the year. He is also the current MD State Director of the National Society of Accountants (NSA) and was recently awarded State Director of the Year. Ron still enjoys working with his clients in his own practice and with his peers at both NSA and MSATP with no plans to retire anytime soon.

Gene Hamilton is a Regional Sales Director for TASC serving Maryland, DC, New Jersey, New York and New England. He works with Tax and Insurance Professionals to benefit their Small Business and Self-Employed clients through Flexible Spending Arrangements (FSA's) and Section 105 HRA's (AgriPlan and BizPlan).

Dave Kile is co-founder of Ease Technologies and a former Apple employee with over 25 years' experience in the IT industry. He provides an invaluable expertise working with clients in all aspects of IT support. Mr. Kile has lead teams implementing projects ranging from healthcare patient portals, the creation of public safety IT help desks to the relocation of financial trading firms. Additionally, he is actively involved in providing education seminars, webinars and blogs sharing ways that businesses can improve security and productivity.

Jerry Lotz is Senior Savings Advisor at CostSeg Energy Solutions. CostSeg Energy Solutions represents companies whose mission is to help commercial property owners and leaseholders save money. He serves as an agent for Cost Segregation Services Inc. (CSSI), based in Baton Rouge, LA. CSSI is an "independent" company that provides "engineering-based" IRS Approved, Cost Segregation Studies and Tangible Property Regulation Consultation. Other CSSI services include: CAP-EX Reversal Analysis, Engineering-Grade Energy Audits, 179D, 45L and LED Lighting Tax Savings Implementations. Jerry is a Baltimore native and holds a business degree from Towson University. He spent 30 years in various managerial positions in the medical sales industry. Jerry enjoys working to provide "exemplary" service to tax professionals and the clients they serve. When he is not working, he enjoys spending time with his wife, children and grandchildren.



Jon Parks is a Financial Planner at Academy Financial Inc, a twenty-five year old financial services firm in Lutherville, Maryland. Academy has a staff of over twenty professionals and manages nearly $1 billion dollars for its clients across various asset classes. Jon has earned the designation of Chartered Retirement Plan Specialist, CRPS®, from the College of Financial Planning, and he leads Academy's 401K Strategies initiatives. The 401KStrategies.com website is dedicated to providing accurate, clear information about all kinds of retirement plans for small businesses. Academy Financial also has expertise in supporting business owners with Buy-Sell agreements, Estate Planning, and Business Succession planning. Jon has a BA from Franklin & Marshall College in Lancaster, PA, and a master's degree from Rutgers University. He is Series 7, Series 66, and a registered life and health insurance agent in over fifteen states. Jon is married with three kids and one dog. Jon enjoys politics, hiking, and entrepreneurship. Jon is an avid Shark Tank viewer and is passionate about helping small businesses grow and helping entrepreneurs achieve their retirement goals.

Jim Seminara is an investment advisor and financial planner with Mass Mutual Financial Group of the Mid Atlantic, a MassMutual Agency; courtesy of Massachusetts Mutual Life Insurance Company

MSATP News

Committee on Professional Regulation

Kicking Off the New Year with a New Resolution: Volunteer

by Tom Bray

As a kid, New Year's Day was always an exciting day for me. It was the start of a progression of cool events. January 1st brought the Rose Bowl. The parade was tolerable only because you knew the game was soon to follow. USC vs Michigan State, Ohio State vs the world … Next came the Super Bowl. If you remember, for years the Super Bowl was played in mid- January. Shortly after that, pitchers and catchers reported to spring training the first week of February and pre-season baseball took you through winter. It was fun, simple, and in order.

Now, I am an adult - the Super Bowl isn't until February, and the Rose Bowl is just one of forty bowl games; all of the bowl games seem meaningless with the BCS championship game now in place. My TV does not broadcast an Oriole game until late April.

As a tax preparer, the beginning of 2017 is further delayed by the start of the 90-day Maryland legislative session on January 11th. There are already 68 House Bills and 92 Senate Bills scheduled for first readings. The 2017 tax season started immediately with 1099s and W-2s due on January 31, and e-filing 1040s beginning on January 23rd. This time of year everybody in our industry is already busy. By the end of our tax season and the legislative session, hundreds of bills will be presented and some with be passed while we are trapped in our own version of Bill Murray's Ground Hog Day. Some of these bills will affect our livelihood and/or the livelihood of our dear clients. The time for us to say something or do something about these proposed changes is at the busiest and most inconvenient time of our professional life – tax season.

During the past several busy seasons, I did not think that I had time to exercise, to go out with friends, or many of the normal things people do. For sure I did not follow what was going on in Annapolis. After working with me one tax season my daughter marveled how I found time to attend her tennis matches when she was in high school. (Tennis season is during our tax season.) However, being there for my daughter was important to me, so I made it happen. We find time to do the things that are important to us.

At a recent Maryland Board of Individual Tax Preparers public meeting our executive director learned of a proposed regulation that was released for public comment. We immediately obtained a copy of the legislation and learned that if implemented as written, the regulation could substantially affect the way many of MSATP's members' firms function during tax season. Implementation of that regulation definitely would have adversely affected the productivity and profitability of my firm. Because of the written response of MSATP, the regulation was withdrawn by the Board.

As business people we advise our clients to prepare business plans and perform SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses. The threats can come from competitors, but there seems to be plenty of work for all of us. The bigger threats come from the environment, which includes regulation. After last year's very public tax preparer problems, the proposal of legislation that would affect our industry is very likely during the 2017 session. Once legislation is enacted, it is difficult to change. This is the year to get involved. So as for me, I am making some changes …

This incident with the proposed legislation almost slipping through caused me to perform some self-analysis. My own business process left me dangerously exposed to threats that could have caught me unaware. If MSATP did not get involved at that time, my life and business would have been forever changed. I spent the end of 2016 re-evaluating all aspects of our business and its priorities. It was a difficult but very valuable process to undertake. As a result, I made some changes.

This tax season will be different. I hired more personnel, so now I have the ability to take on new clients this year (that will pay for the new staff). The office will be closed 1 day per week during tax season. Exercise enhances cognitive thinking, so I am going to exercise – nothing big, but more than I did before. I am also going to volunteer 2 days to MSATP during tax season to assist in this legislative monitoring. Why? It is important, it is strategic, and MSATP has the resources and experience to make my contribution, however small, significantly productive to me and our industry.

MSATP has been blessed to have a long line of people through the decades who have participated in the legislative process. The legislative arena is so active, and changes happen so quickly, we all need to be aware of the legislative horizon. MSATP can use volunteers to do the following: 1) read, follow, analyze, and summarize a specific piece of legislation (i.e. HB 9999), 2) draft emails for members to send to legislators, 3) call and/or email legislators on matters that affect our industry and clients, 4) attend functions in Annapolis during the legislative session, or 5) testify at the House/Senate hearing on specific pieces of legislation. Volunteers are needed for each of these functions. Everybody can call or email legislators. You would be surprised at the impact a business person's call can make on a legislator's vote.

Early in February, MSATP will host a 1-hour training session to assist those interested in volunteering. Early February gets us past the 1099 deadline but before most of our clients have accumulated their personal tax information. MSATP will have experienced people to assist you in any area you wish to participate. In addition to doing the right thing for your business and yourself, you will get to know some pretty nice and impressive people in the process. If you are interested, let the office know, and they will give you the date, time, and access information.

For me, January 1, 2017 was the first day of a new year I was excited to begin. I had a plan in place to work less, make more, and be more strategic, and it was already operational -- the first day of the New Year was spent with my family at Hershey Park - a better and more exciting start to the year than watching the Rose Bowl.•

MSATP News continued on Page 6...

What is Bitcoin?

by Al Giovetti

On October 31, 2008, Bitcoin (BTC, to give it a TLA—three letter acronym) was created by person or persons unknown masquerading as Satoshi Nakamoto. An extensive Wikipedia article documents most of the information on BTC (https://en.wikipedia.org/wiki/bitcoin, references 15, 16 and 17). However, the field of BTC is changing daily, and is somewhat complex.

Many writers have likened bitcoin to the Wild West. As it was in those times, there are robbers, fraud, Ponzi schemes, embezzlement – and little to no regulation. So, load and strap on your six-gun or Henley rifle before you wander into this world. Or perhaps you should wait until some law enforcement enters the scene.

BTC is the most popular Cryptocurrency. The dictionary definition of a "cryptocurrency (or crypto currency) is a digital asset designed to work as a medium of exchange using cryptography to secure the transactions and to control the creation of additional units of the currency. Cryptocurrencies are a subset of alternative currencies, or specifically of digital currencies." (https://en.wikipedia.org/wiki/cryptocurrency)

Additionally, "Bitcoin appeals to those who do not trust banks or other financial institutions, who want to make quick, irrevocable transfers without paying for currency conversion, or who value privacy. (http://money.cnn.com/2013/03/28/investing/bitcoin-cyprus/index.html?iid=HP_LN) The supply of bit-coins is limited and controlled by an algorithm. (http://www.americanbanker.com/bankthink/how-cryptocurrencies-could-upend-banks-monetary-role-1057597-1.html). Unlike government-backed currency, no central authority can devalue bitcoins by printing more." (http://taxpayeradvocate.irs.gov/2013-Annual-Report/downloads/DIGITAL-CURRENCY-The-IRS-Should-Issue-Guidance-to-Assist-Users-of-Digital-Currency.pdf). Wikipedia currently lists 24 cryptocurrencies (https://en.wikipedia.org/wiki/List_of_cryptocurrencies).

Two years ago, this author was asked to comment on bitcoin and virtual currency, especially as it refers to IRS Notice 2014-21. At that time, I declined to write anything on the issue. Another member of the press called me and I told them basically what the IRS notice said. More information is available on the IRS.gov website (https://www.irs.gov/uac/newsroom/irs-virtual-currency-guidance). Per IRS Notice 2014-21, issued March 25, 2014, virtual currency such as Bitcoin is treated as an asset, specifically investment property like stocks and bonds, and not a currency. Sale of the investment property can lead to a gain or loss, as can the exchange of goods or services for other goods or services. The transaction or exchange of ownership of the assets or services involved triggers the taxable event. The fair market value of the goods or services is recorded on the transaction date when the BTC are received by the service provider or seller of goods.

On November 1, 2016, IRS reaffirmed IRS Notice 2014-21 with essentially no additional advice (https://www.irs.gov/businesses/small-businesses-self-employed/virtual-currencies).

Payments of wages by bitcoins are subject to the same rules and regulations relating to withholding of federal tax, state tax, FICA, and payments of federal and state FUTA. Please see appropriate publications for these requirements.

BTC is monitored (www.preev.com), and beginning, ending, and average numbers can be generated for any specific date. This information may be important in determining the fair market value of the BTC exchanged for goods and services, or the basis of property acquired though death, gift, or exchange.

Payments to corporations (S or C) in BTC may require the issuance of 1099 for 12 different types of corporate entities. (For the purposes of this article, and unless otherwise indicated, BTC will stand for all these virtual currencies.) Payments to corporations which require Form 1099 filing include payments of attorney's fees or gross proceeds paid to attorneys, if federal income tax or foreign tax is withheld, medical and health care payments, etc. Please see the instructions for Form 1099 for more information. Remember that a 1099-MISC with an amount in Box 7, non-employee compensation, must be issued and filed with IRS by January 31, in either paper or electronically-filed formats. Penalties for non-filing Forms 1099 can be as high as $530 (intentional disregard) for both the IRS copy and the payee copy. Not filing Forms 1099 when workers are reclassified as W-2 employees eliminates any qualifications for safe harbor treatment, severely increasing the penalties to bankruptcy levels for most small businesses.

Whenever a business pays an unincorporated entity (or certain incorporated entities) for services in the course of its business activity, both a Form 1099 and Form W-9 are required. Generally, you must obtain a Taxpayer Identification Number (TIN) from a payee even for a "one-time" transaction or you may be penalized. IRS suggests that you use Form W-9 to request TIN. You must make three TIN requests to avoid a penalty - an initial request prior to payment, a first annual request (end of the year of payment), and a second annual request (one year after the first request).

Without a TIN, the business payer must withhold 20% federal income tax. Rental properties are not considered businesses for purpose of issuing a Form 1099. See Publication 1281, Backup Withholding for Missing and Incorrect Name/TINs, for more information.

Not everyone agrees that virtual currency is investment property. Some state courts have ruled that bitcoin is not a currency, while other courts (US District Court in New York) ruled that bitcoin is money, and ruled that IRS' treatment of it as investment property was "irrelevant to the inquiry here."

Bitcoin is not necessarily a "foreign" currency required to be reported on the FBAR (FinCEN Form 114, Report of Foreign Bank and Financial Accounts); however, if the BTC account is held in a foreign country, reporting will be required. For a more comprehensive description of convertible virtual currencies to date, see Financial Crimes Enforcement Network (FinCEN) Guidance on the Application of

FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies (FIN-2013-G001, March 18, 2013). A comprehensive article concerning the FBAR, Form 8938 and virtual currencies can be found at http://www.thetaxadviser.com/issues/2014/may/clinic-story-07.html. Also see 2016 Instructions for Form 8938, Statement of

Specified Foreign Financial Assets, at https://www.irs.gov/pub/irs-pdf/i8938.pdf.

Taxpayers can make money "mining" bitcoins. Mining bitcoins is a process of individuals or companies using their computers to validate bitcoin transactions. If a taxpayer earns money by "mining" bitcoins, the fair market value of the bitcoins becomes taxable income on the date received. IRS Notice 2014-21 says that bitcoin mining rises to the level of a trade or business, reportable on a Schedule C, if the business is carried on to make a profit. IRS Notice 2014-21 references FS-2007-18, April 2007, "Business or Hobby?" cautioning taxpayers to determine whether their bitcoin "mining" is a business or a hobby, further complicating an already complex issue.

How do bitcoins work?

The blockchain is a public ledger that records bitcoin transactions (The Economist, October 31, 2015). Peer to peer networks running bitcoin software maintain the integrity of transactions without any central authority. Approximately six times per hour, a new group of accepted transactions, called a block, is created and added to the blockchain and published to all nodes. As of November, 2016, a local copy of the blockchain is over 80 GB. Anyone with a full local copy is known as a full client, while those who access an online full client are referred to as lightweight clients.

Bitcoins are recorded as units. Small amounts of bitcoins are milli-bitcoin (one one-thousandth of a bitcoin) and micro bitcoin (one one-millionth of a bitcoin). Of course, bitcoins are held in Bitcoin wallets, which can be virtual (software wallets) or hand-held (hardware wallets). Hardware wallets are thought to be more secure. Software wallets have been known to be hacked and their bitcoin contents stolen. Virtual wallets can be online wallets held by internet services or on your local computer. Online wallets allow for hacking and embezzlement.

Bitcoins can be bought and sold via online exchanges. On April 28, 2013, Ian Steadman, writing for Wired, reported that 45% of exchanges fail, and take client bitcoins with them. Since that time exchanges provide proof of reserves to provide safety for users.

Over 100,000 retailers take bitcoin as a form of payment. When you pay with bitcoins, often the fees are 0%, and never go over 2%. Credit card transactions are often over 2%. Bitcoin can be a cheaper way to accept money when cash or check cannot be used reliably.

Bitcoins are the preferred medium of exchange for ransomware users. Ransomware is a specifically nasty piece of work. Ransomware, such as Cryptolocker, spread through legitimate looking email attachments, encrypts the hard drive of the infected computer. When you click on the legitimate looking attachment, the malware launches and infects your computer. All offices need to adopt a no-click policy when it comes to email attachments to prevent this computer infection. The ransom for de-encrypting your now infected hard drive is paid through untraceable bitcoins. Linkup, a combination ransomware and bitcoin mining program, masquerades as a legitimate bitcoin mining program, all the while it is encrypting your hard drive. Linkup demands your credit card information to de-encrypt your hard drive. Since bitcoins are currently untraceable, the bitcoin payoff is preferred to credit cards for the more intelligent cyber felon.

I came across an interesting use for bitcoin at techcrunch.com/2016/02/14/blockai-launch/. Blockai is using the blockchain to register copyrights for works of art, especially for photographic artists. The photo artist takes a picture and uses Blockai to drag-and-drop the work into the blockchain. This provides almost instant proof of the creation of the artwork to the artist. Blockai provides a registration certificate which you can send to someone using your art or photo without permission. (Of course, this would not likely be useful to artists such as Leonardo DaVinci, who reportedly worked on the Mona Lisa for most of his adult life.)

Another interesting item was recently reported on page 2 of the December 2016 issue of the National Association of State Boards of Accountancy (NASBA) newsletter. The Australian Accounting Standards Board (AASB) is calling for clear guidance on how to deal with digital currencies such as bitcoin. AASB released a paper this month explaining why digital currencies require the attention of standard setters. "Digital Currency—A case for Standard Setting Activity" has stimulated NASBA Technical Research Director Nigyar Mamedova to report that the need for accounting and auditing standards for digital assets was presented at the International Auditing and Assurance Standards Board (IAASB) meeting on December 6, 2016.

While many enjoy the privacy afforded by digital currency, aka virtual currency, such as bitcoin, this also makes it attractive to the criminal community – all the more reason a system of tracking digital currency is vital in this day and age.•

CAC Keeps Eye on Peer Review

by NASBA

After having received responses from 36 Boards of Accountancy to its survey, the Compliance Assurance Committee (CAC) prepared NASBA's response to the AICPA's paper on changes to the administration of the AICPA's Peer Review Program (Proposed Evolution of Peer Review Administration: A Supplemental Discussion Paper Seeking Input from State Boards of Accountancy). "How could we disagree that anything that is good for the quality and consistency of the Peer Review Program is good for the profession and the public?" asked CAC Chair John F. Dailey, Jr. (NJ). Reviewing NASBA's comment letter sent to the AICPA, Mr. Dailey told the Annual Meeting it included issues raised by the State Boards, both via the survey and copies of comment letters sent directly to the AICPA. These fell into six general categories: oversight, costs, consolidation, national administering entity, reviewer/volunteer pool and transparency. The letter has been posted on www.nasba.org and printed copies were distributed to the Annual Meeting attendees.

"A majority of the member Boards believe that all administering entities (AEs) that wish to continue in operation should be allowed to do so as long as they can meet the Peer Review Program's new standards and criteria," Mr. Dailey stated. Rather than having the AICPA operate as a national AE, Mr. Dailey said: "NASBA's response urges AICPA to focus its efforts on committing resources and training to AEs when situations arise that could disrupt or diminish an AE's administration efforts." The CAC felt that a problem could be created if the AICPA were both to operate as an AE and to also provide oversight of that AE.

The NASBA letter, as developed by the CAC and the Regulatory Response Committee, cautioned: "Should the evolution result in a national or in regional PROCs (Peer Review Oversight Committees), access to data and program transparency are critical to effective oversight." It also pointed out that the Boards need to be given adequate times to implement whatever changes are decided upon, Mr. Dailey noted.

An e-mail to the Boards' chairs and executive directors from the AICPA announced that a new paper on the proposed changes is to be available on January 4, 2017 and a webinar on it has been scheduled by the AICPA for January 9, 2017, Mr. Dailey reported. He assured the Boards that the CAC will stay focused on this project and adjust its recommendations as needed.•

MSATP News (continued from Page 3)

Scholarship Foundation Update

by Roy Frick

For the academic year, 2016-2017, the Foundation awarded $38,000.00 in scholarships to students attending Maryland colleges and Universities.

Our special award recipients were:

- Brandon Bond, McDaniel College, received the first Don Hull Memorial Scholarship.
- Tehillah Diamond, University of Baltimore, received the Sidney Weinberg Award
- Feisal Iddi, University of Maryland College Park, received the Norris "Dave" Crockett Award.
- Quaezhawn Alford, Bowie State University, received the Melvin Menes Award.
- Jordan Thompson, Univerisity of Maryland College Park, received the George Spriggs Award.

All of these special award recipients were invited to lunch at a seminar of their choice to receive their award.

We are very excited the Maryland Society of Accounting and Tax Professionals has agreed to a matching grant of up to $7000.00 for the 2016-2017 year, which means when you make a contribution at any time during the year, including dues check-off next Spring, that amount will be matched by the Society.

We thank all members for their support during the past year through our candy sales and raffles at the seminars. This helps us to continue our mission to provide scholarships to deserving Maryland accounting students. We wish you a happy and healthy New Year - and very successful tax season!•

How to Prepare Before Updating TPRs --- Friend or Foe?

by Jerry Lotz

It took decades of discernment for the IRS to issue the Tangible Property Regulations (AKA – TPRs or Repair Regulations). They are among the largest, most comprehensive changes to the tax law. They are very much in the business owner's favor, but require a level of understanding to appreciate and reap the inherent benefits they bring.

The TPRs govern the decision making process of whether expenditures made on assets, once they have been placed in service, should be capitalized under the rules of 1.263(a)-1,-2, or -3, or written off under the rules of 1.162-3 or-4. The TPRs changed most of how we previously determined whether expenditures should or shouldn't be capitalized or expensed.

The IRS is serious about these regulations and as a result, they issued an Audit Guide this past September. If a taxpayer has the wrong class life on an asset, and comes under audit, they will be given the opportunity to file a 3115 and change the class life (Method Code 7).

So…it is in the best interest of tax professionals and their clients to be proactive and gain a better understanding of the rules. Tax professionals should embrace the changes and begin using the TPRs as the decision-making, governing framework during tax planning sessions with their clients.

There is a "compliance" aspect to the regulations, and there is also a potential "economic opportunity" in the adoption of the regulations.

Regarding an economic opportunity, the NEW regulations provide:

- De Minimis Safe Harbor Limit raised to $2,500 (provided a Capitalization Policy be in place before 1-1-16)
- Routine Maintenance Safe Harbor – (requires a 3115 unless the taxpayer is a "small taxpayer" -- Rev-Proc 2015-20 can apply)
- Restaurant and Retail Safe Harbor - Rev-Proc 2015-56 (retail and restaurant taxpayers can deduct 75% of qualifying expenditures paid or incurred to remodel or "refresh" qualified buildings, and capitalize just 25%)
- Opportunity for "Cap / EX Reversal" - There is an obligation/opportunity for the taxpayer/tax professional to go back and analyze past allocations of expenditures. They may be able to go back and write off (expense) entries that were previously capitalized. This can result in a HUGE win in "catch-up" depreciation
- Definition of Units of Property, and Building Systems calculations/valuations need to be assigned which reflect the "Current Depreciable Cost" and the "Current Replacement Cost." It is upon these numbers that future Expense vs Capitalization decisions should be determined. Generally speaking, there is a suggested range of 30-35%. If an expenditure is less than 1/3 of the cost of replacement for a UPO, the dollar outlay can be "expensed." If it is greater than 1/3 of the replacement cost, it needs to be "capitalized."
- An increasingly important role for Cost Segregation Studies

The NEW Regulations will be easier to implement using a cost segregated depreciation model. Thus, Cost Segregation offers a "compliance solution" to the repair regulations. Cost Segregation studies define building systems and place a current depreciable cost value and a current replacement cost value on each system/component.

The IRS refers to Cost Segregation as a "Certain Method" of analyzing and identifying the commercial building components that are eligible for accelerated depreciation. This can provide significant tax savings for the owner. In the recently released IRS Audit Guide (Sept 2016), the IRS states: "Cost Segregation studies now serve additional purposes. For example, not only do these studies reclassify a building's components into assets with shorter class lives, but they also identify building systems for purposes of applying the improvement rules. These studies are also used to identify functionally interdependent plant property and to determine individual components or groups of components that perform a discrete and critical function." If you are assisting companies that manufacture or use machinery in their plants, knowing the value of each functionally interdependent piece of property (UOP) is critical in determining expense vs capitalization decisions. The larger the UOP, the larger the expenditure can be before it needs to be capitalized.

For those who adopt and follow the rules, it can mean very large tax savings in the form of accelerating depreciation. The TPRs may also hold huge opportunities for going back and correcting previously capitalized entries into expense entries. Tax professionals have won and lost clients over their understanding of and implementation of the TPRs. Tax firms have gained additional revenue as result of implementing the regulations and at the same time, tax professionals have saved more money for their clients.

Be sure you are working with a reputable Cost Segregation Company that can provide a "turnkey solution" for compliance and tax savings for you and your clients.

So... You tell me…. Are the TPRs Friend or Foe??•

The Cures Act Brings Tax Relief to Small Business Owners

by Gene Hamilton

*Jason Westphal, Legislative Analyst for Total Administrative Services Corporation (TASC), details how the new Cures Act legislation will bring tax relief to small business owners in the form of Health Reimbursement Arrangements (HRAs). **

Beginning January 1, 2017, qualified businesses that establish SBHRAs will be able to use tax-advantaged funds to reimburse employees for individual health insurance premiums and family out-of-pocket medical expenses. (Note: This change does not affect one-employee, integrated, or Limited Purpose HRA Plans that are already compliant with federal law.)

According to Jason Westphal, Legislative Analyst for Total Administrative Services Corporation (TASC), "SBHRAs provide a tremendous opportunity to those small employers (more than one but fewer than 50 eligible employee) who do not offer Group health but want to assist their employees with ever rising healthcare costs."

Highlights of the Cures Act legislation and a SBHRA include:

• Employer annual contributions will be capped at $4,950 for a single employee and $10,000 for an employee with a family. These numbers will be indexed annually for inflation.
• Participation in the SBHRA will not disqualify participants from Marketplace subsidies (i.e. premium tax credits), but monthly HRA reimbursements will be included in income calculations for determining eligibility for any subsidy.
• Generally, employers must make the same contributions to all eligible employees; amounts may vary based on family status (single vs. family).
• Employees must have minimum essential coverage in order to participate.
• HRAs are solely funded by an eligible employer; they are employer-sponsored and reimbursed benefits. The employee is not allowed to contribute pre-tax dollars via salary reduction.
• HRAs are not pre-funded.
• Employers can write off insurance premiums beginning the first of the year in which they enroll. Out of pocket medical expenses can be written off beginning the first of the month in which the small business owner establishes the SBHRA.
• Unused elected amounts can be carried over to reimburse medical expenses in future years OR can be offered as a use it or lose it feature to limit the employer's liability to the current Plan Year.
• Medical expenses of adult children and their families may be reimbursed through an employee's HRA up until the year in which the adult child turns 26.
• A traditional One Employee HRA health & welfare benefit Plan can still be implemented yet this year—resulting in federal, state, and FICA tax savings on insurance premiums for the entire year; and on out of pocket medical expenses for the month of December.

"IRS Notice 2013-54 issued in September 2013 limited the ability of small business owners to utilize standalone HRAs. Prior to this guidance, many had used HRAs to reimburse their employees for certain medical expenses using pre-tax dollars. As a result of IRS Notice 2013-14, a company with more than one eligible employee could no longer receive a tax advantage through an HRA unless it sponsored Group insurance (an expense that's beyond many small companies' reach) —or offered a Limited Purpose HRA (which can only provide coverage for dental, orthodontia, vision and long-term care). This new legislation overturns guidance issued in IRS Notice 2013-54 and once again allows employers with fewer than 50 employees (companies not subject to the ACA's Employer Mandate) to utilize HRAs as a pre-tax health & welfare benefit." The Small Business Healthcare Relief Act was first introduced to congress in June 2015 (H.R. 2911 and S.1698). In June 2016, the House and Senate re-introduced amended bills (H.R. 5447 and S. 3060 respectively).
H.R. 5447 was ultimately incorporated into the Cures Act which was passed by the House and Senate as part of the 2016 year-end health package containing mental health initiatives, Medicare provisions, and medical research funding.

Click here for the entire press release: http://www.prweb.com/releases/2016/12/prweb13923979.htm •

*Madison, WI (PRWEB), 16, December, 2016 — H.R. 34 containing provisions that establish Small Business HRAs (SBHRA) was signed into law by President Obama on December 13, 2016.

Maryland Small Business Retirement Savings Program and Trust

by Ron Grafman

Effective July 1, 2016 Maryland requires certain employers to offer a small business retirement system. It is expected to be fully operational by 2018 pending favorable Federal income tax treatment and is deemed exempt from the ERISA ACT of 1974.

The reason why Maryland has spent the past few years trying to pass this piece of legislation is because approximately 45% of all private-sector workers have no access to an employer-sponsored retirement plan. This includes about 1 million Maryland employees who have no retirement savings. Some who have opposed this bill states that any employee who does not have an access to an employer-sponsored retirement plan can set up their own IRA.

However, only around 5 of such employees actually do so.

To think that so many Marylanders in today's workforce have little or no retirement savings at all except for Social Security is quite concerning.

So Maryland decided to come up with a plan to fill this gap.

This plan requires only employers who:

a. Do not offer any kind of retirement plan on their own.

b. Have 10 or more employees who work 30 or more hours per week.

c. Uses a payroll or other service that provides for automatic withholding of taxes, etc.

d. Have been in business for at least the past2 years.

If an employer elects to set up their own 401-K, SEP, SIMPLE or other plan, than the new Maryland Law will not apply to them.

If a small employer without a retirement plan perfotms all payroll functions "in-house", will that exempt a small business from having to comply? The Law is not clear on what a "payroll system" means.

It could imply that if payroll is completely handled manually this exemption would apply. But, if a small business uses a computerized "in-house" payroll system, that may require compliance. The Law is not very clear on this point.•

Top Five Reasons Why Social Media is Vital to Your Business

by Jeremy Friedman

Over the past decade, social media has quickly become a primary ingredient in business growth and customer visibility. If your firm doesn't use social media it may be missing out on one of the most ubiquitous (not to mention free) customer engagement platforms available.

Here are the top five reasons why social media is becoming a crucial component for modern businesses:

Increased customer visibility

Many if not most internet users exclusively use social media. As many as 60% of internet users sign in specifically to check their social media profiles such as Facebook, Twitter, Instagram, and others. If you're not using these service you might as well be invisible to these users.

Search engine optimization (SEO)

The primary indicator used by Google and other search engines to determine how highly your website should be ranked in their search results are "external links." Essentially any third party, external website linking back to your own site is viewed by Google as a "+1 vote" that your website is relevant and deserves to appear in their search results. Any links you can generate back to your site from external sources such as Facebook and Twitter raise your search engine visibility by a measurable degree.

Customer engagement

Many people like to pose questions via their social media profiles, often inquiring directly to a firm's Facebook page or Tweeting them. This includes prospective customers who often try to feel out how personalized and open a firm is by inspecting their social media profiles. Social media communication is considered more personal, more direct, and more informal, and is preferred by a large segment of internet users.

Modernization

Many younger, web-savvy customers view a lack of a social media presence as a sign that a company is "stale" or "unhip." Having a Twitter or Facebook icon on your homepage demonstrates that your firm is making an attempt to assimilate with today's online culture. While this may be meaningless to your older constituency, younger people tend to take notice.

Building Brand Loyalty

According to peer-reviewed research, brands with social media profiles tend to generate a higher level of brand loyalty. Firms that engage in social media seem less "faceless" and more personal. When your clients follow you online, they'll regularly be reminded of how much they love and appreciate your personal touch. And they'll see your pretty face, which is a bonus!.•

Navigating the Top Five Retirement Risks

by Jon Parks

Longer lives and better health translate into longer retirements and new concepts of what retirement should be. Many of today's retirees view retirement as a time to shift gears but not necessarily to slow down.

They keep their skills sharp in new job roles or by starting businesses. They continue learning new skills by going back to school as both teachers and students. Some choose to serve on boards of directors or to pursue creative and artistic passions.

However you define retirement for yourself, the bottom line is that you want to have enough money to live your life without constantly worrying that you'll run out. It certainly pays to be prepared and to stay on plan.

What to Look For

A successful retirement plan begins, of course, with making smart savings and investing decisions long before you contemplate retiring. But of equal or even greater importance is how you manage your money after you've left your primary career and begin to turn to your investments to provide the income that supports your lifestyle.

To boost the chances that your savings will let you live comfortably in retirement, there are five primary areas of risk that you need to address:

- Timing and Withdrawals: The amount you withdraw from your retirement portfolio and when you do so are two of the main determinants of how long the portfolio will last. For example, taking large withdrawals during bear markets such as those in 1973–1974, 2000–2002 or 2007–2009 makes it hard for a portfolio to recover and grow.

To the degree possible, you want to minimize drawing on your capital in a weak market since you'll have less capital for the rebound. Your annual withdrawal rate should be smaller than your average annual return less inflation. Of course, to be conservative, you could bring it down even further, and your assets may continue to grow positively even though you're making withdrawals.

- Market Volatility: Related to the first risk, you need to position your portfolio to withstand inevitable swings in the market, and the way to do this is through diversification and asset allocation – holding a combination of stocks, bonds, cash and alternative investments that matches your risk profile. Returns on these investments should be non-correlated, so that when one area is down, another area is up. In retirement, you need diversification to perform a balancing act of having enough growth-oriented investments toward helping achieve acceptable long-term returns and bonds and other fixed income securities to provide steady income. Annuities could also make sense to provide at least a portion of your retirement income.

- Longevity: The good news is that you have a good chance of living to a ripe old age, but the risk here is essentially that you could outlive your assets. A woman born after 1973 has over a 20% chance of living to age 100 .That means that if you retire at 65, you may need to plan for 35 years or more in retirement.

- Taxes and Inflation: Don't underestimate the ability of inflation to destroy spending power. Over the past 25 years, during which inflation has been fairly tame, the Consumer Price Index (CPI) – the cost of a basket of goods and services determined by the Bureau of Labor Statistics – has more than doubled. If inflation accelerates to 6%, prices would double in about 12 years.

- Health Care Costs: The CPI is often not the most accurate measure of your personal inflation rate, since you may spend disproportionately on health care as you age. These costs have traditionally run at double or triple the overall rate of inflation and are not under control. In addition, consider long-term care insurance as a way to help pay for some of the potential nursing home costs as you get older.

Writing the Next Chapter

Thanks to a combination of advances in medical technology and better lifestyle choices, Americans are living longer and more active lives. Nonagenarians (people between the ages of 90-100) are becoming commonplace. Enjoy your retirement years – however you decide to spend them. Spending some time with your financial advisor today can help you enjoy true financial security tomorrow.•

Where to Recycle Your Old Tech Devices

by Dave Kile

A lot of new computers, iPhones, iPads and other devices are purchased at the end of each year. This usually means there is plenty of older gear that is getting tossed in the new year.

The dumping of tech equipment is widely known to be harmful to the environment, with the many toxic metals and carcinogenic chemicals that have been identified leaching out into landfills. Now, more states are banning the disposal of electronics into those landfills. Unfortunately, improper recycling exposes security risks as many of the phones, personal electronic devices and computers retain stored critical data. Therefore, proper planning for the disposal of your electronic waste should not be overlooked.

There are a few organizations that will give you compensation for some of your old equipment, but more than likely even technology that is a few years old has very little, if any, value. Before you recycle or trade in any equipment, understand what the organization does to help you wipe the data on that device. I usually do this on my own, before I hand off any of my equipment.

Many companies already provide recycling options for individuals and businesses. You can start by checking with some companies that you already do business with every day. Dell, Apple, Office Depot, Staples, T-Mobile, Sprint and AT&T all offer some sort of recycle program for old equipment. The downside to most of these companies is they often only handle their old products and at the same time you must be purchasing new equipment.

Best Buy has gone a little further with the Best Buy Trade-in Store or Best Buy Recycle Store. There are some limitations on what you can bring in. Check their site out for the complete list of accepted devices before heading out the door with that old eight-track tape player because that one is a no-go. With the devices they do take, they can properly recycle that e-waste and potentially provide a gift card for certain equipment.

Even many local UPS stores have gotten in on the action, partnering with Shred Nations, which provides options to dispose of and recycle your gear. You will need to check with your local store, but many offer a full set of services that include paper shredding too.

An online alternative is Gazelle, which provides a fast and straightforward way to sell back and recycle your old tech products. They claim to accept over 250,000 different devices. If you go online and search for your old tech products Gazelle will indicate the value and provide steps in mailing that item back. They will even send you a box. They are probably a good fit if you have some more current technology that still has some value, so you can receive some compensation.

A local Maryland vendor, Integrated Waste Analysts in Elkridge, Maryland, specializes in secure media disposal and electronics recycling for businesses in the region and across the county. Integrated Waste Analysts offers hard drive destruction services that meet the information security requirements for HIPPA, SOX, FACTA, CERCLA, and RCRA. They offer a variety of ways, on or off premise, to securely remove and dispose of out-of-date technology. Their enhanced-security hard-drive shredding breaks down your hard drive into pieces no larger than 1.5 inches that are then sent off to the next step in recycling. The resulting materials—steel, glass, plastic and precious metals—are then separated into processing for proper recycling.

Recycling those old devices is easier today than ever. Check around as to which organization can help you securely recycle that old laptop and know you are contributing to staying green!•

Tax Year 2016 Annual Employer Withholding Reconciliation Return due January 31, 2017

by Comptroller of Maryland

The annual employer withholding reconciliation return (Form MW508) for tax year 2016 is due January 31, 2017. Form MW508 is available at www.marylandtaxes.com. You must send in the bar coded MW508 corresponding with the proper tax year along with the state copy of Form W-2 for each person for whom income tax was withheld.

Employers have three options to file their year-end reconciliation (Form MW508). Please note: employers who have 25 or more forms W-2 to repost must select option 1 or 2. However, we encourage all employers regardless of the number of statements to file using magnetic media or electronically.

1) Employers can file their year-end reconciliation electronically using bFile at www.marylandtaxes.com. The bFile application is free of charge and employers will receive confirmation of the filing. Employers can key up to 250 Forms W-2 and their Form MW508 directly to our Web site or use the new W-2 file upload application for an unlimited number of Form W-2s.

2) Employers may file using Magnetic Media. This option allows the user (employer/payroll providers) to file on a CD or 3 ½ inch diskette.

3) Employers with fewer than 25 Form W-2s to report may file their year-end reconciliation on paper.

The 2016 Maryland record layout is the only acceptable format for both current and back year tax magnetic media submissions.

The RV record is an electronic version of the paper form, MW508, Annual Employer Reconciliation Return. The RV record contains all of the data from the Form MW508 and is a required record if you file using magnetic media. The RV record has been changed to reflect additional requirements now being included on the paper MW508 for tax year 2016.•

Planning Your Exit: Thinking Long-Term Keeps Your Business on Track

by Jim Seminara

You've navigated a competitive market, steered your company to profitability, and put it on track for healthy growth and expansion. It's now time to start thinking about an exit strategy.

Sound premature? It's not. Proper planning can help ensure both a successful business transition and an equally successful retirement for the owner. Too often, owners get caught up in day-to-day operations and forget to think long-term. Some figure they'll simply turn the business over to the kids. Others plan to sell when it's time to retire and live on the proceeds.

But often the kids don't want the business, and finding the right buyer may not be easy, particularly these days when capital is tight. Those who do find a buyer may end up agreeing to an installment sale, which means they'll likely get the business back if the new owner goes broke. A boomerang sale is a headache if the business comes back when you're young, but it can be a disaster if the sale is a critical part of your retirement.

That's why owners who want to get full value from their business need to think ahead. Succession planning should start as soon as an owner is able to move beyond tactical day-to-day operations to think strategically about the business and his or her own role in the company's future.

Consider Barry Middleman, now 71, who founded his architectural firm back in 1973. He was still in his early 50s when he first began his succession planning. He started by crafting a new identity for his business. In 1994, the firm shed the name Middleman, De La Garza & Neugebauer and became MDN Architects.

"A personal identity drives down the value of a company," Middleman explains. "It is not as marketable."

At about the same time, MDN began working to seriously diversify its client base, once again increasing the company's value.

Then two years ago, a new partner came on board, dramatically lowering the average age of the partners. Now Middleman is planning to gradually step back from the business, staying involved in those areas that interest him most. Eventually, he says, he'll retire, leaving the new partner at the helm.

Yet, even careful succession planning can be bumpy, as Middleman learned when the recession hit in 2008. That's why owners can't afford to put all of their assets into their business. Money tucked away in a 401(k), IRA or other retirement plan can act as a shock absorber, cushioning owners from any economic potholes they encounter on the way to the exit door.

For young companies, the best retirement savings vehicle might be a SIMPLE IRA, which lets both owners and employees contribute and at higher levels than those allowed with a traditional IRA. As companies grow, 401(k) plans can be a good next step, and Roth 401(k)s—which are funded with after-tax dollars—provide distributions that may be tax free.

Permanent life insurance offers another way for owners to diversify their holdings while creating a potential safety net for both their company and their retirement. Business owners, for example, may be able to borrow on the accumulated cash value in these policies to help meet expenses or payroll during lean times. And if the policies have cash value when the owner is ready to retire, it can be a good source of supplemental retirement income.*

Ultimately, succession planning is about more than simply finding the exit door. It's also good business. While there are no guarantees, planning that focuses on such things as increasing the company's value can help keep a business on track while it's still growing. And that's a good way to make sure you won't be leaving your retirement to chance.•