



# Insero&CO

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# Tax & Business letter

SPRING  
2019

## Get ready for spring cleanup



**C**onducting an annual review to improve your business can help to facilitate growth, streamline bottlenecks and propel you into the year ahead. Here are some ideas to get your business into the best shape ever for 2019:

- **Tidy up your inventory.** Consolidate and reorganize your inventory to create a more logical flow and to reduce storage expenses. Now is good time to create a plan to remove expired and slow-moving items you identified at the end of the year.
- **Streamline your facility.** Besides the usual dusting and declutter activities, consider organizing and purging hard copy files, or moving toward a digital document retention plan with system backups. Define what your business needs are now and in the next few years to help you plan for growth.

- **Clean up your financials.** Take a look at your balance sheet. Are there prepaid expenses that were really expensed and consumed over a prior period that need to be cleaned up? Do it now. Other balance sheet items ripe for review are the allowance for bad debt and unearned income accounts. Review the rest of your financials to determine if you have the appropriate level of details to make sound business decisions. If not, add new accounts to provide better visibility.
- **Improve business performance measurements.** If you haven't already, consider building a dashboard of key financial ratios to provide a snapshot of business performance throughout the year. Figure out what key metrics measure success for your business. How do they compare to the industry benchmarks?
- **Update your permits and licenses.** Conduct an annual review of your current and expired permits and licenses. If you aren't sure what you need, try contacting your local government or an online legal filing service to help you get started.
- **Confirm employee vs. contractor status.** Should a worker receive a 1099 or a W-2? Understanding the classifications for each type of worker is critical to track and report their payments. If you need to make a change, do it ASAP. Create guidelines to keep your business relationships on the right track.
- **Review and refresh your policies.** Making sure you are in compliance with federal and state laws is an essential part of

business operations. Review your policies to find gaps that are not addressed with your current employee and company policy manual. This may involve researching best practices for a business your size and in your industry.

- **Check on vendors and services.** Do you have any open credits with vendors? Consider updating vendor information and cleaning up any outdated vendors in your system. It's also a great time to evaluate your expenses and consider if you can get better pricing for things like utilities and shipping, or if you really use the services you're auto-paying for with your business credit card.

- **Make a tax-record retention plan.** Rather than being in a rush to locate all of your documents at tax time, implement a process to identify and organize tax-related records as they come in throughout the year. Also, ensure you have all of your past years' files for easy reference should you need them.

- **Identify tax savings.** Make tax planning a habit for your business. Create a financial and tax calendar to reference throughout the year. It's easy to let the day-to-day activities mask an impending due date or put off a planning task that could save you a tremendous amount of time and money.

By focusing your time and energy on just a few of the ideas above, you will improve your business operations and time spent on inefficient tasks during the height of your busy season. Call if you have questions. ♦



## Beware of business email scams

There is an increase in phishing emails used to redirect payroll deposits and wire transfers into the hands of thieves. A thief will pose as an employee and send an email to payroll or human resources asking to change direct deposit or wire transfer account information (diverting money into an account the thief controls).

In another common scam, a thief will impersonate an executive and send an email requesting a list of the organization's W-2s for all of its employees. This allows the thief to quickly file fraudulent tax returns for refunds.

Keep your eyes open for emails involving sensitive info. Fraudulent emails often have grammatical errors. When in doubt, confirm email details in person. And don't forget to report tax-related phishing emails to [phishing@irs.gov](mailto:phishing@irs.gov). Non-tax fraudulent emails can be reported on [www.ic3.gov](http://www.ic3.gov).

## First-quarter interest rates up

Interest rates for the first quarter in 2019 have changed since last quarter. These rates include: 6 percent for overpayments (5 percent for corporations), 3.5 percent for the portion of a corporate overpayment over \$10,000, 6 percent for underpayments and 8 percent for large corporation underpayments.

## Check on your tax refund

If you're expecting a 2018 tax refund, you can check its status on [www.irs.gov/refunds](http://www.irs.gov/refunds). You will need your Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN), filing status and the exact refund amount.

The IRS generally issues refunds in less than three weeks from the date of your online submission, or six weeks from receiving your mailed-in return. However, some refunds require more time. ♦

# 3 questions to ask before you expand your business

**Y**our business is profitable, and the demand is strong for your services. The future looks bright. Is it time to expand? Part of the answer depends on intangible factors such as your vision for the company's future and your personality traits.

For instance, if you hate to travel, expanding the business's physical presence into a different geographical market could lead to burnout and an ultimate lack of success. But taking on a partner, merging with a rival, or purchasing an existing firm in a complementary niche market may be expansion alternatives that are suited to your strengths.

Here are three important questions to consider when you're thinking about expanding your business:

## 1 How will you finance the expansion?

Expansion costs could include increased inventory, a larger facility and more equipment. After assessing your current financial situation, you may determine cash on hand can cover some or all of these costs. If not, you might be able to raise the required cash by tightening your receivables cycle along with improved collections. Perhaps your vendors will offer flexibility in extending payment terms and credit availability to ease cash flow problems caused by upfront costs of growth.

If additional financing is required, think about your comfort level with taking on debt or giving up part of your equity. Balance emotional aspects with the realization that prudent borrowing can benefit your business by providing liquidity to grow your income. Likewise, investors who supply cash in return for a stake in your business may also be a source of sound advice and managerial guidance.

## 2 Will you need additional staff?

Payroll can be expensive and paperwork intensive. But sales, marketing, business development, operations and administrative tasks will expand along with your company. Make a realistic judgment of how much of the increased workload you'll be able to handle yourself.

Remember that the right personnel can boost sales and add to the bottom line. Alternatively, hiring temporary or part-time employees and independent contractors can keep you from becoming overwhelmed while holding costs in check.

Cultivating business contacts and joining industry associations are inexpensive ways to tap expertise. Outsourcing functions such as website maintenance or marketing gives you access to professional skills.

## 3 Will the benefits outweigh the costs?

Financial projections can help you determine whether sales and profits will make the expansion worthwhile.

But also take into account why you started your business and what customers expect from you.

Providing personalized service may prove difficult as your business grows, making customers unhappy. Yet choosing to remain static exposes you to the risk of competition from larger companies or losing customers as their needs outgrow your capabilities.

Expansion decisions present both challenges and opportunities. Call today for help planning for success as you're working through the financial steps of growing your business. ♦



## Put out those cash shortage fires for good

*The No. 1 cause of business failure is poor cash flow management. Cash Flow Corner gives you tips to help you master this business fundamental.*

It's not uncommon for a business manager to feel more like a firefighter when cash flow problems spark. Fortunately, you can reclaim the time you spend putting out fires caused by cash shortages and reinforce your business's profitability by following these suggestions:

**Create a cash flow projection.** A cash flow forecast should be one of the reports prepared regularly for every small business. It consists of your beginning cash balance plus your expected receipts minus your expected disbursements. This forecast allows you to anticipate cash shortfalls in order to give you time to consider all your financing options.

**Collect your money as fast as possible.** Send invoices as soon as you ship goods instead of billing at the end of the month. Your invoices should clearly show the payment due date and any penalty for late payment.

**Follow up on delinquent receivables.** The longer an account remains unpaid, the greater the chances are that you'll never see your money. Once an account becomes delinquent, make no more credit sales to that customer until the account is brought up to date.

**Postpone paying your bills.** Take early payment discounts when it makes sense, but otherwise use the full grace period to pay your bills.

**Don't let inventory build up.** If your inventory includes slow-selling and high-cost items, consider making them special order items. Get rid of obsolete inventory to free up cash and valuable shelf space.

**Track your expenses.** At least once a month, compare your spending with your budget. If you are spending more than you planned, it's a good indicator that you may need to take corrective action or you'll face a cash crunch.

**Establish a line of credit.** Set up a line of credit before you need it. It takes time to secure a loan from a bank, and it may be more expensive and difficult to obtain credit when you really need it.

Call for a review of your company's cash management plan or for help in establishing one for your business. ♦



## Turn your team into a customer service powerhouse

**G**ood customer service often leads to repeat sales and referrals, and ultimately higher revenues and profits. The result is a stronger, more secure business. Your sales staff knows this well. Their results are directly affected by customer perceptions. Yet other employees, such as those in support and other office roles, may not think of themselves in the same way.

The truth is that every employee has an impact — direct or indirect — on customer experience. That's why it's important to make it a goal of your business to meet (and preferably exceed) customer expectations as often as possible.

### Making customer service a priority

How do you teach every employee that customer service is part of the job? The answer is a combination of communication, training and good management. These steps will help you make customer service a priority for all of your employees:

- ▶ **Communicate the importance of customer service.** Make all employees aware of the true value of customer service to the business as a whole. You can do this effectively by explaining the role they play in providing good service. Consider posting sales results for all to see. As appropriate, develop measures of error-free performance and share the results throughout your organization.
- ▶ **Offer the right training.** Provide training to every employee with customer contact. For those who don't directly work with customers, help them understand how their colleagues work with customers, and how they can support their efforts. Emphasize the ways cooperation and teamwork can contribute to good service. Instill a service-minded culture so customer service becomes everyone's job.
- ▶ **Lead by example.** As the owner or manager, your actions and your priorities set the tone for the company. Employees follow your lead and pay attention to what you consider important. Look for ways to measure customer satisfaction and show your employees that you're monitoring it. Remember, one of the best ways to improve customer service is to minimize the things that go wrong. Set goals for improved performance and make people accountable for them.
- ▶ **Foster a team mentality.** Make it clear that better service is a shared goal, and ask for suggestions. Provide a comment box, send out employee surveys, and make customer experience a subject that is discussed during weekly meetings. You might be surprised how quickly good customer service becomes more than mere talk when employees know they are all working toward the same goal. ♦

# Are you due for a business insurance review?

Have you conducted a business insurance review lately? Changes in your business equipment, real estate holdings, the amount of inventory and the number of employees are all good reasons to review your insurance.

Here are a few policy review tips to consider:

▶ **Keep in regular contact with your insurance company.** Keep your insurance agent apprised of what you are doing in your business. Try to meet with your agent throughout the year, and conduct a detailed annual review of your insurance needs.

▶ **Understand how business changes affect your policy.** Figure out how your policy covers common changes, as well as other changes you know are happening soon. This involves understanding the limits and terms of your policy. You can start by asking if you're properly insured for property damage, liability coverage, health and disability, and life insurance.

▶ **Conduct a competitive review.** Periodically conduct a competitive review of your insurance needs. Bring in at least two other insurance providers, as well as your current

provider. The frequency of the review will be driven by changes in your business, the stability of your current insurance provider, and the need to understand the evolving landscape of business liabilities. A review will keep your premiums competitive, as well as help you learn about coverage holes in your current policy.

▶ **Identify evolving coverage risks.** As the business climate evolves, so should your insurance coverage. Think about what's on the horizon. Who would have anticipated the need to cover cyber attacks and identity theft 10 years ago?

▶ **Review safety plans and company policies.** This goes hand-in-hand with a business insurance review. Make sure your team is adhering to established employment and operations policies. Getting an insurance claim approved and maintaining reasonable premiums often depend on specific factors you can reinforce through these policies. Call today. We will gladly assist you and your other business advisors with your business planning. ♦

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**NOTE:** *This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.*

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**We appreciate your business.** Please call any time we can be of assistance to you in your tax, financial, or business affairs.

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## March 1

- Farmers and fishermen who did not make 2018 estimated tax payments must file 2018 tax returns and pay taxes in full.

## March 4

- Due date for employers and health care providers to provide Forms 1095-B and 1095-C to individuals.

## March 15

- 2018 calendar-year S corporation income tax returns are due.
- 2018 partnership returns are due.
- Deadline for calendar-year corporations to elect S corporation status for 2019.

## April 15

- Individual income tax returns for 2018 are due.
- 2018 calendar-year C corporation income tax returns are due.
- 2018 annual gift tax returns are due.
- Deadline for making 2018 IRA and HSA contributions.
- First installment of 2019 individual estimated tax is due.

## May 15

- Deadline for calendar-year non-profit organizations to file final annual reporting returns. ♦