

Client Tell

Blackburn, Childers, and Steagall, PLC
Certified Public Accountants and Consultants

Volume XVIII No. 4 Winter 2012

Blackburn, Childers & Steagall, PLC Quarterly Newsletter

We Have Moved!

Our new Kingsport office is open and ready for business! The address for the new office is 1361 S. Wilcox Drive, Kingsport, TN 37660. The Kingsport Chamber will host our Ribbon Cutting Ceremony at 4:00 pm, Thursday, January 10th, and we will have an Open House immediately following. We would love to see you there!



2012 Year-End Tax Planning

by Jake Hutchison



Year-end tax planning is always complicated by the uncertainty the following year may bring and 2012 is no exception. The focus of this article is on aligning traditional year-end techniques with strategies for dealing with those uncertainties created by Congress's delay in addressing sunseting tax rates and the extension of other major tax benefits.

See the full list on page 11



Go Paperless at Home

Viewpoint by Tommy Greer

It is time to get rid of those stacks of paper, those disorganized drawers full of receipts and those cabinets full of files.

Creating a paperless home office will help you transform a cluttered area into an efficient one where you will get more work done rather than looking for items in all the wrong places. Going paperless at home can help you get better organized, reduce clutter, free up space and provide easier access to most all of your important documents. Most of the time this will also make your records more secure and with backups you can have duplicates to prevent loss. All this at the end of the day makes you more efficient, and gives you more of your most valuable commodity, time!

What types of items are best suited for this?

Scan or save to pdf all your financial records, banks statements, bills/receipts, investment records, loan documents and related statements, giving records, tax returns and related support, medical records, insurance policies and statements, financial statements, instruction manuals (which are often downloadable), real estate records, auto records, and even school records, awards and newspapers clippings. Saving and organizing your pictures chronologically or by event will also maximize your enjoyment of these family treasures.

The process is easier than you might think

Replace your “To File” folder with a “To Scan” folder. Take action now and scan important documents and store them in organized computer folders on your computer.

Download, print and/or save digitally starting now. This is so much easier than scanning after the fact.

Set up organized folders/filing system for easy retrieval. One of the best ways is to visualize how you would set this up using a file cabinet with drawers, sections and file folders.

Sign up for online bill access and payment. Most all bills and donations can now be paid online through your bank or setup to be automatically paid through your credit card or drafted from your bank account. Then request to receive all bank documents, statements, bills, etc. online or via email.

Make sure you backup regularly and also start using the cloud. Regularly back up your computer, at least once a month. This adds an important safety net and gives peace of mind about trashing the paper. I would also

recommend doing one backup quarterly and keeping it offsite. Many external hard drives can be purchased inexpensively.

Services like Dropbox and Mozy, just to name a couple, allow you to store your documents online, where they are accessible from anywhere. One last benefit, if you store or backup to the cloud you can access your documents wherever you have an internet connection!

Shred things you just don't need, such as paycheck stubs, bill statements, or expired records (such as insurance) that are older than one year.

Sounds amazing, why isn't everyone already doing this?

Learning Curve: Though there will be a learning curve for many, it is not as sharp as most think. Using a scanner may take an hour tops to master and then the rest just involves knowing how to set up folders and how to save and retrieve documents to/from multiple locations.

Fear: Fear gets in the way of most positive changes for improvement; don't let it deter you from becoming more efficient in this case.

Going paperless is not an “All or Nothing” solution, start small and with items you are most comfortable with and grow from there. As with many things, the key is to just get started and what better time than right here at the end of 2012!



Personal Lines



Brittany Cassell Brittany Cassell recently passed all sections of the Certified Public Accountant (CPA) Examination.



Tara Bradley Tara Bradley recently passed all sections of the Certified Public Accountant (CPA) Examination.



Jonathan Phillippe Jon and his wife Brooke celebrated the arrival of their first child, James Timothy, weighing 7lbs., 7 oz. and 19 3/4 in.



Ryan Bowman Ryan and his wife Amanda welcomed their first child, Hannah Elizabeth, weighing 5lbs. 14 oz. and 19 in.



Nick Clay Nick and Lacy Clay welcome their second child, Andrew Camp, weighing 6lbs. 10 oz. and 19 1/2 in. He joins big sister Addilyn.



Kerry Grant Kerry Grant, CPA is new to the Johnson City Tax Department. He has a degree in Accounting from ETSU and has over 15 years of accounting experience.



Oluchi Taylor Oluchi Taylor, CPA is new in the Kingsport Audit Department. She has a Bachelors and Masters degree in Accounting. She has previously worked as a TN state legislative auditor.



Sarah Presnell Sarah Presnell, CPA is new to the Johnson City Tax Department. She has a Bachelors and a Masters degree in Accounting and over five years of public accounting experience.



Brittany Edgeworth Brittany Edgeworth is new to the Johnson City office. She has a Bachelors and a Masters in Accounting and comes to BCS with audit and tax internship experience.



Kim Blankenstein Kim Blankenstein is the new Administrative Assistant for BCS Wealth Management. She has several years of experience with large regional businesses.



Brandy Stykes Bradley Brandy Stykes and Robbie Bradley were married on October 27th in Elizabethton.



BCS In the Community BCS held an animal food and supplies drive for the local shelters and also participated in The Salvation Army's Bell Ringing.



Client Feature

Mountain Empire Oil Company

About MEOC

Mountain Empire Oil Company (MEOC) was founded in 1977 by Warren Broyles as a home heating oil/commercial fuel delivery company. Thirty-five years later, MEOC, under the trade name of Roadrunner Markets, operates 92 convenience stores in four states. They have approximately 800 employees.

Roadrunner Markets have a reputation for their clean, safe, well-maintained stores along with their friendly associates and convenient locations. Roadrunner Markets sells branded fuels from Shell, BP and Sunoco. They have fast food tenants such as Subway, Burger King, Huddle House, and Krystal's in many of their stores, and they are a franchisee of Dunkin Donuts, with three locations currently and plans to open four more.

"We operate the company according to our mission statement: Delight the customer in a way that makes them come back tomorrow," says MEOC President Ryan Broyles.

Community Involvement

Mountain Empire Oil, headquartered in Boone's Creek,



is an active corporate citizen, especially in Washington County. "We believe in giving back to the communities that have made us successful," said Ryan.

This August, Roadrunner Markets hosted their 16th annual charity golf tournament, which raised \$50,000 for the Johnson City Area United Way and \$25,000 for the South Central Ruritan's baseball field project. In past years, a few of the other recipients have included Girls, Inc., Coalition 4 Kids and the Johnson City/Washington County Veterans Memorial.

In-store fundraising has also been a successful endeavor. Through the sale of \$1 pinup pumpkins this fall, Roadrunner Markets



was able to send St. Jude's \$131,000. Another recent contribution was for the Unicoi County Humane Society from the Roadrunner Market next door to the UCHS.

"We donated three cents per gallon of gas sold to the Humane Society, so we sent them a \$5,000 check," said Ryan.

BCS is pleased to work with a company that models what giving back to others truly is.

To find out more about Roadrunner Markets, visit them on the web at RoadrunnerMarkets.com.



What Are Muni Bonds?

by Myra O'Dell



Are you looking for a way to minimize the impact of scheduled tax rate increases in 2013? Municipal bonds (munis) just might provide the solution. The interest income received from most munis is exempt from federal income taxes. In most cases, it is also exempt from state and local income taxes within the state that sponsored the issue of the bond. Munis are generally issued by states, counties, or cities to raise money for public purposes. Here are a few basics you should know about investing in munis.

Quality

Munis are rated by various rating agencies including Fitch, Moody's, and Standard & Poor's. The credit rating is the grade a rating agency assigns to indicate the risk of default and is intended to measure the likelihood of the timely repayment of principal and interest. Keep in mind that these ratings are only opinions of the rating agency and can be changed during the life of the bond. The highest rating is AAA and any bond rated lower than BBB is considered to be of speculative quality. In general, lower credit ratings equate to higher yields as a reward for taking on the extra risk associated.

Maturity

Maturities usually range from one month to 30 years. Bonds with longer maturities usually pay higher interest rates than bonds with shorter maturities due to the greater element of market risk over the longer life of the bond. You should consider your cash flow and when you might need the principal to be returned to you. This is important because if a bond must be sold before it matures, you might have to sell the bond at a loss depending on prevailing interest rates and other market factors.

Taxes

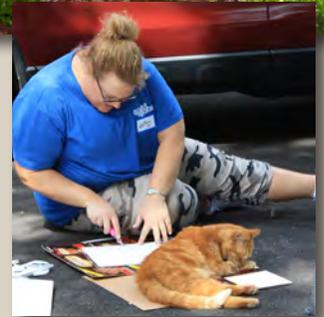
When comparing the yield on a tax-exempt muni with a taxable bond, some simple math comes in handy. You must determine the taxable equivalent yield, which is the yield you would need to earn on a taxable bond to equal the yield on the muni. You can calculate it by dividing the muni yield by one minus your marginal tax rate. The higher your tax bracket, the higher the taxable equivalent yield will be. Another tax item to consider is that some munis may be subject to the alternative minimum tax if they are for "non-essential" uses such as stadiums or airports. Also, you may incur a tax obligation at maturity or at sale on any gain in principal, whether that comes from amortization of a discount on the bond or a capital gain from an increase in market price.

Diversify, Diversify, Diversify

Diversifying your portfolio is important no matter what type of investment you are considering. Just like any type of investment, munis are associated with risks and you can help manage these by diversifying them among different issuers, geographic locations, and maturity dates. This can be achieved by investing in numerous individual munis or by choosing a mutual fund that already owns a number of different munis.

Munis may not be a good fit for everyone, and there are other strategies that may help you reduce the amount of taxes you will owe Uncle Sam in 2013. So, if you are concerned about what your overall tax picture will look like next year, talk to your tax preparer or financial advisor. He or she can help you create a plan that is tailored to your specific situation.

Special Spaces - Room Makeover



Reach High, Think Big, Work Hard, Have Fun!



for Jackson Whaley



About Jackson

Jackson Whaley is four years old. He was oxygen deprived at birth and suffers from Pierre Robin Syndrome. His ability to swallow, speak and see are impaired, but he is making progress! In addition to making over his bedroom and providing therapeutic toys, an adjustable bed, an iPad with apps to help him communicate, BCS volunteers also landscaped a flower bed and provided Jackson's parents, Scotty and Kelly, with gift cards for a weekend getaway.



Tax Organizers

Your personal assistant for individual tax preparation will be in the mail the second week of January. The individual Tax Organizer is an excellent self-help tool for gathering documentation needed for individual tax return preparation.

- Questions in the organizer can prompt you to remember significant events in 2012 that may impact your return.
- Updating personal information that would affect your tax return preparation such as change in address, change in number of dependents, purchase or sale of your home is easy with the tax organizer.
- The organizer serves as a checklist to assist you in gathering pertinent source documents from financial institutions.
- Small business, rental property or farm expenses for the prior year are listed in the tax organizer and will assist you in gathering necessary information for current taxes.
- Itemized deductions reminders such as mortgage interest, property tax, and charitable contributions are listed in the organizer.

The tax organizer is your personal resource to help simplify the daunting task of gathering source documents for your tax preparer. Our BCS Tax Staff encourages you to

- complete the organizer
- sign the engagement letter
- return the organizer and engagement letter to our office along with your tax source documents

If you do not receive an organizer, you may request one by calling the office at 423-282-4511.



Business Apps for the iPad

by Jonathan Phillippe

The iPad is the most popular tablet device, but do people really use it for business? We all know that you can use the iPad for business purposes, and many forward thinking companies have purchased iPads for key mobile workers. The question is how productive are they in a business setting, and is it a wise investment? Here are some quick statistics.

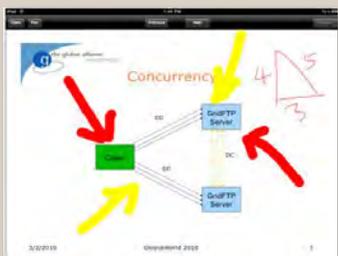
- 40% of iPad owners use it to browse the Internet
- 32% use it to watch videos and listen to music
- 26% use it to play games
- 21% use their iPad for business

When you consider the many uses of the iPad, 21% isn't bad and the number continues to grow each year as Apple continues to attract more business customers. When you consider the cost of a laptop at around \$1500 an iPad for \$700 could be a wise business decision given the right circumstances. Here is a short list of programs that might be enough you to leave your laptop at home and take your iPad next time you leave the office:



Keynote is the most powerful presentation app ever designed for a mobile device. Keynote makes it easy to create, deliver,

and share stunning presentations on your iPad, and iCloud keeps your work up to date across your iPad, iPhone, or iPod automatically.



Power Presenter is also used for presentations, but if you save your PowerPoint as a PDF file this app will help you present it using a projector. It automatically

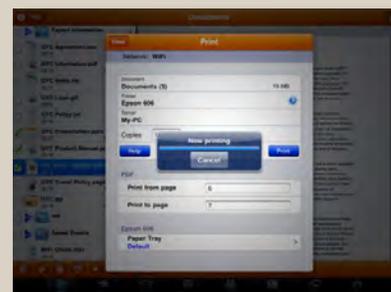
detects and sends the signal to the projector using the VGA cable.



Pages is a powerful word processing app originally designed for the Mac but now on the iPad. You can also store your documents on the iCloud so you can access them on all your Apple devices.



SugarSync puts all of your data from your computers at your fingertips and you get free cloud backups that you can use to sync files, share folders, and access your data.



PrintCentral prints directly to most WiFi printers or to all printers when used with your Mac/PC. View, print email, attachments, documents,

files, photos, contacts, web pages and other items from your iPad.

In conclusion, there are programs available on the Internet such as DropBox, iCloud, Office 365, and others that allow you to save all your documents on the Internet and simply access them from any device like your desktop at work then go home and edit that same document on your iPad. As these programs improve, you will continue to see a move toward this type of mobile computing.

Small Business Training Seminars

A team from our Small Business Services Department (Sheila Emory, Gina Lemons and Jenny Bowman) along with BCS's HR Director (MeLissa Crockett) presented a Wage & Hour Law with Health Care Update Seminar to Holston United Methodist Home for Children, client of BCS, on November 13, 2012. There were 35 Supervisors and Managers from Holston Home in attendance at our BCS Greeneville Office.

The class focused on the Fair Labor Standards Act, Payroll Issues, Personnel Policies, Healthcare Update, and the different types of Pay Methods with Fringe Benefits.

BCS would like to offer additional training classes to more

small businesses within the area. If you are interested please contact Sheila or MeLissa at 282.4511.

We would like to thank Kathy Hoard and Tina Brobeck of Holston United Methodist Homes for Children in working with us to make this class a success.



Did You Know?

By Gina Lemons



As the year ends, we encourage you to review the list of changes (or coming changes). At least one of them will probably affect your daily business activities in 2013.

- 1.** Effective immediately, TN Department of Revenue no longer mails annual business tax returns (also known as business license renewals) to business owners. Renewal dates vary by Classification, so be aware of your company's filing deadline and are displayed on your current license. Non-compliance will result in a \$500 per occurrence penalty.
- 2.** Effective January 1, 2013
 - a.** If your average sales tax liability is \$500 or more on each sales tax return filed during the last 12 months, you are now required to electronically file and pay the sales and use tax return. Non-compliance will result in a \$500 per occurrence penalty.
 - b.** ALL professional privilege tax returns must be filed and paid electronically.
 - c.** TN Department of Revenue requires BCS to electronically file ALL franchise and excise tax returns. Any balance due on the return must be paid electronically.
 - d.** Employers must withhold an additional 0.9% employee Medicare tax on wages in excess of \$200,000.
 - e.** The FICA tax rate will be 6.2% for both employees and employers.
 - f.** The 2013 Social Security Wage Base will be \$113,700.
 - g.** Virginia Department of Taxation will require Electronic Filing of Corporate Forms and Payments.
- 3.** Reporting employer-sponsored group health insurance premiums on the 2012 W-2 is mandatory for employers with more than 250 employees in 2011.



Navigating Uncharted Waters

by Travis McMurray

We are constantly told that the world is getting smaller... and from a communication standpoint, this is absolutely true. My younger son received birthday wishes via Facebook from Zimbabwe this past summer (and these weren't included in messages regarding the need to move \$18 million out of the country)! So the world definitely seems smaller due to technological advances. This seemingly smaller world has given rise to a business environment that can be fiercely competitive. So, how do businesses continue to compete? One option: don't.

In 2005, a book entitled Blue Ocean Strategy was published and promoted the idea of creating uncontested market space. The idea is fairly simple – make the competition irrelevant. The imagery is extremely powerful – avoid the bloody water where competition is fierce, the red ocean. However, like most great concepts, the implementation is challenging. The strategy is to be so innovative with your product, service or delivery of that product or service that you create value that is not achieved elsewhere. In essence, the competitive environment is a calm, blue ocean.

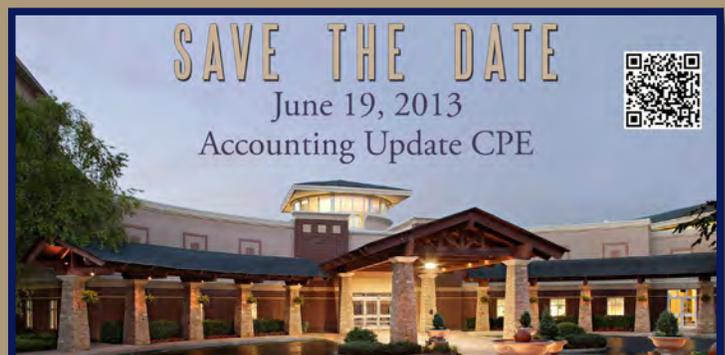
A significant key to this strategy is not allowing market boundaries and/or industry structures limit your company's potential. The focal point is not so much meeting demand, but rather creating demand. A quick look around and we all can easily identify items that we do not think we could live without that did not even exist twenty years ago. Not

too long ago, our utility bills were comprised of water, electricity and telephone. We have seemingly doubled the number of utilities that are considered "basic" by adding cable/satellite TV, high-speed internet, and cell phones with data packages. At some point demand for these services were created and now we're not sure we could function without them.

One of the big obstacles for the blue ocean strategy is the lack of empirical data of companies that have actively pursued this strategy. So, while there have been many companies who have been wildly successful at creating demand; we really don't know what companies tried and utterly failed. Creating demand also takes more than just a novel idea; all the business challenges such as capitalization, production-capacity, human resources, and marketing (among others) still exist. Furthermore, blue oceans tend to not remain blue and unspoiled – competition will eventually find your business either directly or as a substitute. Apple created demand in the tablet marketplace with the iPad; the waters did not remain calm and blue for long.

The real beauty of the blue ocean strategy is two-fold. First, the exercise requires us to recognize that not all boundaries are legitimate...some are self-imposed by the competitors and the industry. Secondly, the exercise spurs action rather than complacency – which is a killer to the most-healthy of companies.

Make plans now to attend BCS's Accounting Update CPE at the Meadowview in Kingsport. Scan the QR code to see more about the event on our website or visit BCScpa.com and look for the Save-the-Date.



2012 Year-End Tax Planning Continued from Page 1

1. Beginning 2013 - Income tax rates set to increase. Current rates of 10, 15, 25, 28, 33, & 35 percent would be replaced by “Pre-Bush” rates of 15, 28, 31, 36, & 39.6 percent.
2. Beginning 2013 - Capital gains and dividends are also set to increase. Current capital gains rates of 0% for taxpayers in the 10% and 15% brackets would be replaced with pre-2003 rate of 10% for those in the 15% bracket. The 15% rate for all other taxpayers would be replaced with a maximum 20% rate. Dividends would be taxed at ordinary rates.
3. Beginning 2013 - New 3.8% for Medicare Contribution Tax on higher income individuals, estates, trusts. Generally this is a tax on passive income. This surtax does not apply to trade or business income or sale of property used in trade or business.
4. Beginning 2013 - New additional 0.9% Medicare tax on higher income taxpayers will apply to wages earned in connection with employment on earning in excess of \$200,000 for single, \$250,000 married filing jointly, and \$125,000 married filing separate. This tax also applies to self-employment income.
5. Beginning 2013 - Personal exemptions and itemized deductions on higher income taxpayers will be subject to phase-outs.
6. For 2011 & 2012 the employee share of social security taxes were reduced from 6.2% to 4.2%. This is referred to as the “payroll tax holiday.” This is currently set to expire after 2012.
7. Alternative Minimum Tax “patch” expired after 2011.
8. Education Credits and Deductions:
 - a. American Opportunity Tax Credit with a maximum \$2,500 tax credit set to expire after 2012.
 - b. Student Loan Interest Deduction - beginning 2013, interest paid to qualified education loans are eligible for the deduction only during the first 60 months interest is paid. Under current law there is no limitation on the number of months the interest paid may be eligible for deduction.
 - c. Teachers’ classroom expense deduction of \$250 set to expire after 2012.
9. Other Individual Tax Credits:
 - a. Child Tax Credit reduction from \$1,000 to \$500 after 2012.
 - b. State & Local Sales Tax Deduction set to expire after 2012.
10. Medical:
 - a. Itemized medical expense deduction set to increase to 10% of AGI from current 7.5%.
 - b. Flexible Spending Arrangement (FSA) - the maximum salary reduction will be capped at \$2,500 after 2012.
11. Beginning 2013 - Estate & gift income tax rates set to revert to 55% from current 35%. The exemption is set to decrease to \$1 million from \$5.12 million.
12. After 2012, the 50% bonus depreciation is set to expire.
13. Section 179 expensing for 2012 is \$139,000 with \$560,000 ceiling before phase-outs and is set to decrease to \$25,000 with a \$200,000 ceiling in 2013.

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Merry Christmas & Happy Holidays