



Client Tell

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

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How the PATH Act Affects You



By Sarah Presnell

The Protecting Americans from Tax Hikes Act of 2015 (PATH Act) was passed in late December to extend, enhance, modify and make permanent certain key tax provisions. The

purpose of this article is to outline the provisions of this Act so that you can better understand how the PATH Act affects you and your business this year and for years to come. While some of the key provisions are mentioned below, a large focus will be on bonus depreciation and Code Sec. 179 depreciation.

The PATH Act extends and modifies bonus depreciation to apply to qualifying property placed in service before January 1, 2020. Businesses of all sizes will be able to depreciate 50% of the cost of equipment acquired and put into service during 2015, 2016 and 2017. Then, the percentage will be phased down to 40% in 2018 and 30 percent in 2019. In addition, “qualified leasehold improvement property” placed in service after 2015 is replaced with “qualified

improvement property” that does not need to be placed in service pursuant to the terms of a lease.

While bonus depreciation is a great incentive for taxpayers, Code Sec. 179 expensing can be an even greater incentive and measure of relief for businesses. The PATH Act has made permanent the Section 179 dollar and investment limitations of \$500,000 and \$2 million, respectively. The Act has also made permanent the special Code Sec. 179 expensing for qualified real property and has removed the \$250,000 cap related to this category of expenditure beginning in 2016. It’s also important to note that the PATH Act has made permanent the special rule allowing off-the-shelf computer software to be treated as Code Sec. 179. Other important and notable provisions of this Act are highlighted below:

- **State and Local Sales Tax Deduction** – The PATH Act makes the election to claim an itemized deduction for state and local general sales taxes, in lieu of deducting state and local income taxes, permanent.

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Your Personal Financial Plan

By Tommy Greer

As we move into March, how is your financial plan for 2016 coming? Are you managing your money or is your money managing you?

Typically people see the most improvement when they track what they are doing and have benchmarks to measure against. Benchmarks provide a practical tool for analyzing your personal finances, and the progress you are making toward financial independence. While our commitments, priorities and self-control determine our spending, the following ratios and benchmarks should significantly influence your overall plan.

Ratios & Benchmarks						
	% of Income	Annual	Monthly	Annual	Monthly	
Total Income		\$ 50,000	\$ 4,167	\$ 100,000	\$ 8,333	
Tithe	10%	\$ (5,000)	\$ (417)	\$ (10,000)	\$ (833)	minimum goal
Savings	10%	\$ (5,000)	\$ (417)	\$ (10,000)	\$ (833)	minimum goal
Taxes	22%	\$ (11,000)	\$ (917)	\$ (22,000)	\$ (1,833)	
Debt	35%	\$ (17,500)	\$ (1,458)	\$ (35,000)	\$ (2,917)	Should not exceed the lesser of: 35% of take-home pay or 40% of gross pay (10% if renting)
Lifestyle	23%	\$ 11,500	\$ 958	\$ 23,000	\$ 1,917	

Other Ratios

1. Housing Expenses - rent or mortgage no more than 20-25% of income, and including taxes, utilities, insurance, etc., no more than 35% of income.
2. Transportation Expenses - 15-20% of income.
3. Other Debt Payments - no more than 5-10% of income.
4. Savings - 10-15% of income.

Other Minimum Financial Goals

1. \$1,000 to start an emergency fund.
2. Maintain 3-6 months of expenses in savings.
3. Pay off all debts except for the mortgage, while at the same time continuing to save.
4. Long-term savings: retirement, college fund for children (wedding funds are also making more and more sense).
The sooner you start the less you have to save monthly!

Age	Savings to Income	Debt to Income
30	0.1	1.7
35	0.9	1.5
40	1.7	1.25
45	3.0	1.0
50	4.5	0.75
55	6.5	0.5
60	8.8	0.2
65	12.0	0.0

Definition of Savings

Savings include the current value of your investments, such as a 401(k), profit sharing, individual retirement accounts and brokerage accounts, the fair market value of investment real estate, and the value of any private business interests.

For Example

Based on this chart, a 35 year old with an income of \$60,000 should have \$54,000 ($\$60,000 \times 0.9$) in savings and no more than \$90,000 ($\$60,000 \times 1.5$) in debt. A 35 year old couple making \$120,000 should have savings of \$108,000 and no more debt than \$180,000.

Congratulations!



Rachel Wallen and Colby Hawkins both recently passed the CPA Exam! Rachel is a manager in the Johnson City Audit Department and Colby is a staff accountant in the Kingsport Tax Department.

Welcome



Ashleigh Farmer is a new administrative assistant in the Johnson City office. She is 2012 graduate of ETSU.

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In December 2015, the IRS also provided “Seven Tips to Make Identity Protection Part of Your Routine” (IRS Security Awareness Tax Tip #3, December 7, 2015). These additional steps can further protect you from tax-related identity theft.

1. Read credit card and bank statements carefully and often.
2. Pay attention to any correspondence from the IRS.
3. Review all three credit reports each year.
4. Review your annual Social Security income statement for excessive income reported.
5. Read health insurance statements for claims you did not file and for care you did not receive.
6. Shred any documents with personal and financial information.
7. Use IRS direct deposit for tax refunds.

The IRS itself is taking measures to reduce the occurrence of tax-related identity theft. Its Security Summit Initiative, a

partnership between the IRS, state revenue departments, and private-sector tax industry leaders, was formed to address tax-related identity theft. In the last year, the Initiative has taken steps to detect fraud and to help victims. Safeguards in the private sector, which include new password protections for tax software accounts, new security questions, and lock-out features, have been put into place. Some states will now ask for driver’s license numbers as a form of identity verification before issuing a refund. Members of the Initiative are also dedicated to sharing fraud information between the public and private sectors and amongst industry leaders.

If you would like more information about tax-related identity theft, the IRS website provides a wealth of resources, including additional security awareness tips.

If you believe you have been the victim of tax-related identity theft, please contact our firm immediately.

Client Feature Dunkin' Donuts



“I’m good at assembling a solid team with different strengths – and icing donuts!” said Kelly Rhea, who, after only five years of being a Dunkin’ Donuts franchise owner (along with her brother Ryan Broyles), was awarded the Dunkin’ Donuts National Operator of the Year in 2015.

“Kelly beat out huge franchises, and owners who’ve been doing this a long time,” said Santana Vasquez, the HR and payroll director. “We have 148 employees in six stores, and the Dunkin’ Donuts corporate representative came and interviewed everyone, asking, ‘do they pay well, do they do what they say, are they honest?’”

Other criteria for the award included performance on the Guest Satisfaction Surveys – the bottom part of the receipts asking for a survey review in exchange for a free donut. “We give away a lot of free donuts! But we love getting survey responses, the good, the bad and the ugly,” said Kelly.

From Interior Designer to Donut Franchise Owner

In 2010, Kelly was happily working as an interior designer, specializing in commercial and corporate workspaces. As a co-owner in Roadrunner Markets with her brother Ryan Broyles, she knew Ryan wanted to bring in a new food chain that would be new to the area to complement the convenience stores.

“I thought, at our final meeting with the Dunkin’ Donuts corporate people, that I was there to sign the papers as a formality. However, we learned that an owner of the franchise had to attend Dunkin’ School, which was a big time commitment and

involved travel all over the country. Ryan looked at me and said, ‘Looks like you’re going to have a career change!’ and by the next week, I quit my job and was off to Dunkin’ School.”

Reasons for Success

“Our goal for our franchises is to make them good places where people want to come,” said Kelly, “I grew up selling candy bars in c-stores, so customer service was ingrained in me at an early age.”

Kelly monitors inventory, sales, Guest Satisfaction Surveys, and the long-term strategy. She also



Operator of the Year, Kelly Rhea



interviews all potential employees, from management to drive-thru workers. “Who we put behind the counter really matters. It’s a reflection of who we are, and we want our guests treated like they are guests in our homes. Ryan and I grew up here, and our customers are our friends and family.”

“One of the keys to success is to surround yourself with great people that make you look good!” said Kelly. “Our managers are amazing, at what has to be one of the hardest jobs ever. Having people I trust lets me focus on the areas I do well in, hiring and standards. Mike Eddy has been an invaluable part of the team since the beginning. His experience with Small Business accounting functions has been a tremendous asset to my team. He provides all my required reporting to Dunkin’ on a monthly basis as well as a monthly accounting of our internal books. Mike has been the perfect partner with us. He is extremely knowledgeable and professional, and he has our best interest at heart, and that’s what matters most to me!”

“We enjoy being a part of the community and we like to give back through contributions to schools, churches and hospitals. We’ve partnered with Good Samaritan Ministries and East Tennessee State University, and will hopefully be opening a store on campus.”

“Ryan and our dad go through a drive-thru or go into one of the stores every day. We’re involved in the business and we want to give our customers a great guest experience and serve them a quality product every time,” said Kelly.

Photos by Peter Nelson Photography





By
Gina
Lemons

Per the Tennessee Department of Revenue: “Business Tax is assessed for the privilege of conducting business within any county and/or incorporated municipality.” What this means is that business owners are required to pay their local county and/or city a fee to operate in the area. I say “and/or” because a business may be required to file two business tax returns. For example, a business located in Limestone, TN is only required to pay a County Business Tax while a business located in Jonesborough, TN is required to pay both County AND City Business Tax. Businesses located within the city limits of any incorporated municipality are required to pay both City AND County Business Taxes.

NOTE: If you currently file a County Business Tax and your area was annexed recently, you may now be subject to a City Business Tax. Please contact your local city’s finance department to find out.

New business owners should go to their local city finance department or county clerk’s office to register for a city and/or county business license. The new business will pay a minimum application at that time. A separate city or county business license and fee is required for each location of your business.

Business Tax is also called the Gross Receipts Tax because it’s

Do You Know Which State Taxes Your Business Should Be Registered For?



PART 2: Business Tax Returns (Formerly Business License) - The “Other” State Tax

based on the annual gross receipts generated by a business. The tax rate used depends on the type of business. Tennessee has five different classifications. A business can only be in one classification. If a business performs various business activities, the dominant business activity is used to determine classification.

Business Tax is due the 15th day of the fourth month after year-end. If the business’ fiscal year ends December 31, the tax is due April 15th. TN Department of Revenue requires that all business tax returns be filed and paid online. New business owners should apply for an online account at <https://apps.tn.gov/paams-app/selfsign/create-business>. If you are currently filing your sales tax online, you will need to log in to your TN.gov account and click “add another service” to add business tax. To file and pay your annual business tax returns, go to <https://apps.tn.gov/biztax/>.

For a complete list of business classifications and due dates, go to <http://www.tn.gov/revenue/topic/business-tax> or contact someone in our Small Business Services department.

Tennessee Taxable Wage Base Decrease

Effective January 1, 2016, the Tennessee Department of Labor & Workforce Development has announced that Tennessee employers will be paying less unemployment insurance premiums in 2016. The Tennessee Taxable Wage Base decreased from \$9,000.00 to \$8,000.00 effective January 1, 2016. Also, effective January 1, 2016, employers with 10 or more employees are required to file online. Employers with 10-99 employees who do not wish to file online must provide justification in the form of a notarized statement submitted each year, along with the first quarter report.

How the PATH Act Affects You

Continued from front page

- **American Opportunity Tax Credit** – The original AOTC had been scheduled to expire after 2017; however, this Act makes it permanent. The AOTC rewards qualified taxpayers with a tax credit of 100% of the first \$2,000 of qualified tuition and related expenses and 25% of the next \$2,000, for a total maximum credit of \$2,500 per eligible student.
- **Child Tax Credit** – The Child Tax Credit was made permanent by the ATRA Act of 2012. The PATH Act makes the following permanent: the credit may be refundable to the extent of 15 percent of the taxpayer's earned income in excess of \$3,000.
- **Charitable Distributions from IRAs** – Individuals age 70 ½ and older are allowed to make tax-free distributions from IRAs to a qualified charitable organization. The PATH Act made this provision permanent. The treatment continues to be capped at a maximum of \$100,000 per taxpayer each year.
- **Other Permanent Extensions for Individuals** – Teachers' Classroom Expense deduction up to \$250, Qualified Conservation Contributions, Transit Benefits Parity.

Welcome New Interns



Ashley Bumgarner

ETSU Senior
Kingsport Office



Adam Gillenwater

ETSU Senior
Kingsport Office



Courtney Hux

Tusculum College Senior
Greeneville Office



Elliott McGaha

ETSU Senior
Johnson City Office

ACCOUNTING UPDATE SEMINAR

REGISTER NOW BY SENDING IN THIS FORM, CALLING KENDRA HOPSON AT 423.282.4511 OR ONLINE AT BCSCPA.COM

Name _____		Title _____
Business/Organization _____		
Address _____		
City _____	State _____	Zip _____
Email _____		Phone _____

I have dietary restrictions, please contact me to arrange lunch.

**REGISTER BY MARCH 31, PAY ONLY \$125.
REGISTRATION AFTER MARCH 31 IS \$175.**

CPE SCHEDULE

Please choose one class per concurrent session.

General Session - 2 hours

Concurrent Session 1 - 1 hour

- Tennessee Ethics Hour 1
- FASB & SAS Update
- Individual Tax Planning

Concurrent Session 2 - 1 hour

- Tennessee Ethics Hour 2
- CAATs (Computer Assisted Audit Techniques)
- Retirement Planning

Concurrent Session 3 - 1.5 hours

- Technology Update
- Conflict of Interest/Fringe Benefits/Other Payroll Related Issues
- Individual Tax Planning/Retirement Planning

Concurrent Session 4 - 1 hour

- GASB & OMB Update
- QuickBooks Online
- Nonprofit Hot Topics

Closing Session - 1.5 hours

BCS Blackburn, Childers & Steagall, PLC

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Identity Theft - How You Can Protect Yourself

By Brandy Bradley



Tax-related identity theft occurs when someone uses your stolen Social Security number (SSN) to file a tax return and to claim a fraudulent refund. Essentially, this means that: (1) more than one tax return was filed for you; (2) you owe additional tax,

have a refund offset or have had collection actions taken against you for a year you did not file a tax return; or (3) IRS records indicate you received wages or other income from an employer for whom you did not work. The IRS is often the first entity to inform a taxpayer of tax-related identity theft.

In 2015, the IRS “paused” nearly 5 million suspicious returns, and 1.4 million of those were confirmed for tax-related identity theft. In the last three years, the Internal

Revenue Service (IRS) has convicted 2,000 identity thieves, and another 1,700 investigations are currently open. Our firm has had multiple clients who have encountered tax-related identity theft over the last few years, and we would like to offer some tips that the IRS suggests to help clients protect themselves.

Most clients probably already follow most of the suggested security measures, such as the use of security software and strong passwords. File encryption and protection of personal information are also critical. Lastly, it is important to recognize emails, calls, and any other communication from people who are posing as representatives of legitimate organizations.

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