

Client Tell

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

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Obviously “make taxes great again” will never catch on as a slogan, but we really do expect to see some tax reform. While tax reform does seem to be a priority for 2017, there are some obstacles at this point. Currently there are two plans: the Trump plan and the House GOP (Brady) plan. While there are several differences, most of the proposed changes are fairly minor and shouldn’t create an extended delay in changes in tax law. There are two obstacles, however, that potentially could cause delays to reforming the tax code. The first obstacle is Healthcare reform. Since the passing of the Affordable Care Act in 2010, the tax code became intertwined with healthcare providing both funding for the ACA and tax credits for taxpayers. The second obstacle is the concept of border adjusted tax policy. This issue stems from a larger economic concern that lower taxes will result in greater investment and spending, thus strengthening the value of the US dollar. While this would be an ideal result, the challenge is that US products become much more expensive in foreign markets. So border adjusted tax policy would basically attempt to even the

playing field between imports and exports. There does not seem to be a consensus on the overall merit of this concept nor the resulting effects of such a policy. While it does seem likely that tax reform will be addressed in 2017, we are unsure whether it will happen in time to become retroactive for 2017 or simply take effect in 2018.

Regardless of when these changes take effect, the bigger question is what changes can we expect?

COMPRESSION OF TAX BRACKETS

Currently, there are seven different tax brackets for individuals. Both the House GOP plan and the Trump plan consolidate the seven brackets into three. Under Trump’s plan, the rates would look like so:

SINGLE	MARRIED FILING JOINT	TAX RATE
\$0-\$37,500	\$0-\$75,000	12%
\$37,500-\$112,500	\$75,000-\$225,000	25%
Over \$112,500	over \$225,000	33%

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With college recruiting season ending with its usual big bang and national coverage last month I was reminded once again how important recruiting is to the success of any organization. In fact I read that 28 of the last 30 teams that have played for the national championship had a least one top ten recruiting class within the previous four years.

There is nothing more valuable than recruiting the right people while on the flipside there is nothing more costly than a bad hiring decision. Are you recruiting for success for your organization and might I add your peer group? Who we surround ourselves with typically determines how successful we are in most things.

Based on this it is very important to be intentional and strategic when working through this process. The best organizations have a clear plan and invest significant dollars in recruiting the right people. What are your keys in recruiting?

While I think everyone knows the importance of looking for the qualities of talent, work ethic and character, I believe many times we are blinded by talent or even possibly get these in the wrong order of importance.

That is why character and work ethic is so important. Part of our job as leaders is also to grow talent. We've always said give us someone with high character, good work ethic and decent intelligence and we can help them grow into a great accountant. Sadly I think it may be becoming harder to find character and work ethic than talent.

CHARACTER – Always look for character first. In the long run,

character trumps talent every time. If you don't believe me look at Hollywood or sports as a concentrated example, though ordinary life mirrors this truth, although it usually does not play out in the national media.

WORK ETHIC - Calvin Coolidge once said, "Nothing is more common than unsuccessful men with talent. Talent without hard works just becomes unmet potential." Hard working, self motivated, possessing initiative, disciplined, diligent, responsible, emphasis on quality, consistent are all qualities of a strong work ethic. We look for people who worked through school or played sports and still made good grades and/or past accomplishments. These usually tell a lot about a persons work ethics and time management skills.

TALENT – Don't get me wrong, while I believe you recruit the two above first, in that order, talent is still very important. The Liberty football team may all have the highest character and work ethic guys in the world, but they are still going to lose to Alabama. Recruit talent but also develop talent.

Our philosophy has always been look for character first, work ethic second and talent third. Does that mean we don't have talented people? No, on the contrary, we have some of the best because of our culture! You also have to remember while you are mining for the best possible people, these people are looking for the best place to achieve their goals. Thus, it is just as important for us to work on our own culture.

Good luck recruiting for your next championship run!

NEW BCS INTERNS



ABIGAIL ELDRIDGE
Johnson City Tax
Intern, ETSU



BRANDON HAMMES
Kingsport Tax
Intern, ETSU



BRIDGETT TIPTON
Johnson City Tax
Intern, ETSU



ASHBELLE PIERRE
Johnson City Tax
Intern, Milligan



BRIANNA MORELOCK
Johnson City Marketing
Intern, ETSU



WHAT OUR CLIENTS LOVE ABOUT QUICKBOOKS ONLINE

What I love most about QuickBooks Online are the reports! Everything you need to know is just a click away!!

DEB HENSLEY
JOHN LEGG'S HEATING & AIR

QuickBooks Online has been very helpful to our firm. It has provided valuable flexibility and needed functionality.

JOE WISE, GENERAL MANAGER
WISE PROPERTY SOLUTIONS

I am not an accountant but I find QuickBooks Online very easy to use. I can give our accountant access to our records and I do not have to worry about sending documents or forms at the end of the quarter. This is all done securely. I also travel for business and find that with the online version, I can access my account from anywhere as long as I have internet. This helps me stay connected and on schedule with payments and payroll even when I am away from the office. It is very practical and it is almost second nature to find and explore all the options in QuickBooks Online.

MARCY GREEN
STATESIDE PROCUREMENT SERVICES, INC.

QuickBooks Online has expanded its functionality so much that the stand-alone versions are largely unneeded. We can access from anywhere and do anything any of the older versions could.

SETH KINCAID
TRESTLE REAL ESTATE GROUP

I have used QuickBooks Online since 2013. It is extremely convenient to access from any computer. My tax accountants also have easy online access when performing annual filings.

KEITH MIJESKI - OWNER OF DRY CLEAN
CITY OF JOHNSON CITY

QuickBooks Online is the best way for us to run our company. We generally have 15 - 20 employees and are able to run our own payroll, have payroll taxes e-filed, create/send proposals/invoices and track up to date payroll costs for Workman's Comp. reporting. Whenever we have a question about QB the BCS (Teresa Adams) team always helps out or guides me, and they have access to our account to help us even quicker!

RUSSELL BURNS, OWNER/SECRETARY
FULL CIRCLE CONSTRUCTION SERVICES, INC.

I believe that QuickBooks Online is an excellent software program, especially for small to mid-size businesses. QuickBooks Online is very user friendly and easy to understand. It has several features, such as the ability to drill down from reports, as well as report customization, which makes it much easier to access information. I love the fact that our business no longer has to worry about doing QuickBooks Online backups. I personally love the fact that if I have a question about something specific in QuickBooks Online, our accountant and I can access the information simultaneously, which makes for easier communication.

SABRA HOUSTON
EAST TENN RENT-ALLS



CAITLIN DUKE
Kingsport Tax Intern,
ETSU



CANDACE MEADOWS
Johnson City Small
Business Intern



JUSTIN SUGGS
Johnson City Audit
Intern, ETSU



KATIE COOTER
Johnson City Tax
Intern, ETSU



TAYLOR MALONE
Johnson City Audit
Intern, ETSU

CLIENT FEATURE

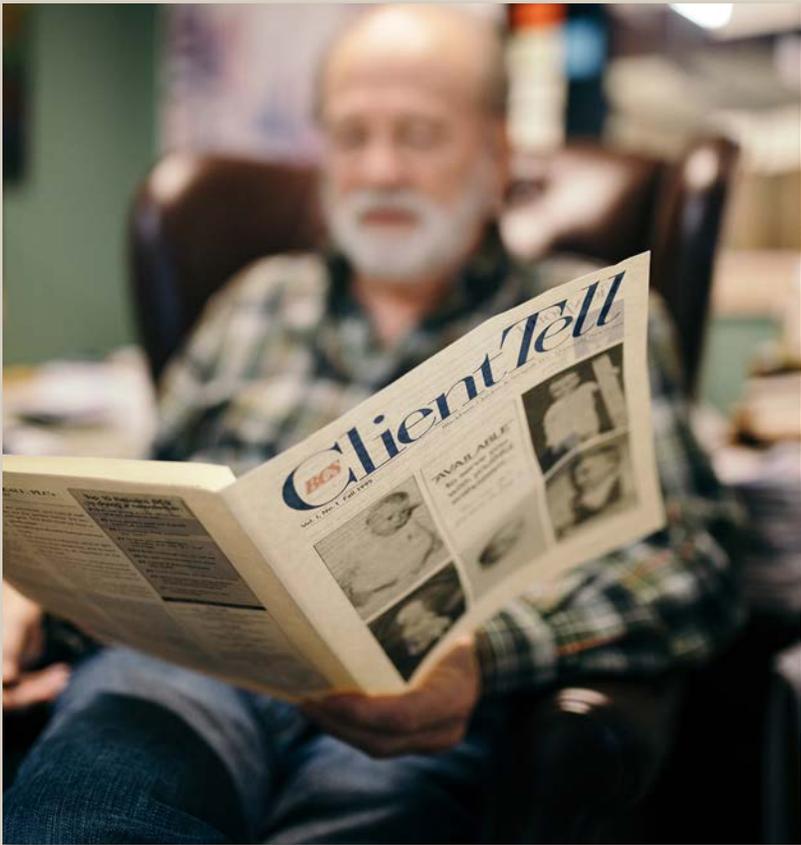
If you have saved and treasured your BCS ClientTells since the first edition in 1995, you'll know that Mahoney's was our very first client feature. Dan Mahoney says not much has changed in 22 years, except maybe a new location and high-tech products.

Dan's father, Moose, opened the store in the 60s and used Carl Childers for his accountant. "We've trusted BCS for over 50 years, before even Charlie Steagall joined Carl and Joe."

Fifty years ago, Mahoney's looked a bit different than it does today. "Sunset Drive was a little two lane road and this store was in the middle of nowhere. In fact, our address was listed as North Johnson City," said Dan.

When Dan got out of the Army in the early 70s, he became involved in the store. "We'd go down to the train station and buy a train car full of sugar. If water got in the car, they considered the whole thing damaged, even though most of the bags would be fine. Johnson City had four bootleggers at the time, and they'd come buy their sugar from us," Dan said. "Sometimes we would go to Knoxville and Bush or Stokely would sell us their dented cans, and people would come from all over to get discounted dented canned vegetables."

When Johnson City was a major furniture upholstery center, Mahoney's cut and sold custom pieces of foam rubber. "We bought it from the manufacturer in Morristown, it looked like big loaves of bread, we'd cut



MAHONEY'S

it into whatever size piece that the upholster needed. We made mattresses, and in those days, a foam rubber mattress was high class!”

In the 70s, Mahoney's supplied the foam rubber to JC Penney's for pillows. “We couldn't keep up with their orders, we couldn't make them fast enough.”

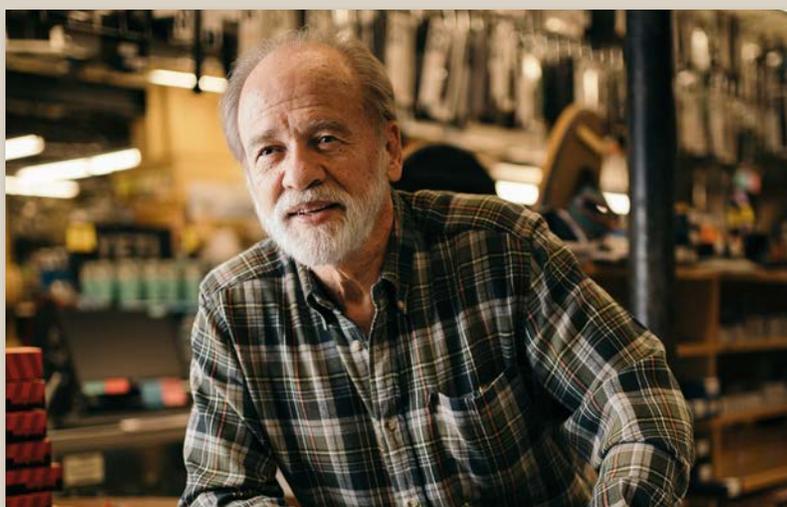
“They figured out how to plug the leaks on train cars, the forklift operators at the canneries got better at their jobs, and the upholsters in town went out of business. So that's how we got started in outdoor sports. I've always enjoyed the outdoors, and no one else in Johnson City was selling outdoor sporting goods, so we thought we'd do it,” said Dan. “I remember going to Inner Arms in Washington D.C. and buying our first load of guns.”

Elvis is the most famous patron of Mahoney's, although Dan mentioned several other musicians, such as KISS and Charlie Daniels. “Nobody bothered Elvis when he came in, we didn't close the store, he was just like anybody else.”

Now, Mahoney's is the premier destination for outdoor sporting goods in the region, with stores in Johnson City and Abingdon.

“What I really like to tell people in the store is that a man can never have enough guns and a woman can never have enough shoes!” said Dan. You'll find plenty of both at Mahoney's.

Photography by Peter Nelson Photography





DISABILITY INSURANCE: PROTECTING YOUR MOST VALUABLE ASSET

BY PAUL HOILMAN

One of the most overlooked areas of financial planning is income protection, specifically disability income insurance.

Most people are quick to consider homeowner's insurance, car insurance, and life insurance to protect their family's financial wellbeing. You likely have these areas covered. It is also likely that you are actively saving for retirement, paying down your mortgage, planning your next vacation, and maybe even saving for a child's college education. As long as you have income, your financial goals remain attainable. But what if your income unexpectedly stops? If there is one thing worth insuring, it may well be your income.

The ability to work and earn an income is most people's greatest asset. How much more money do you stand to earn before you retire? For many of us, it is more than our house, our cars, and much more than we would be comfortable losing.

Many people are fortunate to have disability insurance options available through their employers. Some employers pay for a long-term disability benefit; some make coverage available on a voluntary basis. However, depending on what is covered, the tax nature of the monthly benefit, and the cap on group contracts, many who think they have adequate coverage at work may realistically only have 30-40% of their income protected. In these scenarios, an individual policy can be issued to supplement group coverage and bring income protection to a sufficient level.

We often write "Non-Cancellable and Guaranteed Renewable" individual policies. This means the insurance company cannot change your benefits or increase your premium until a certain age (usually 65 or 70), regardless of changes in your income,

occupation, or health. Also, your coverage stays with you if you change jobs, move, or start a business. You are binding the insurance company to the policy and premium that suits you, and the insurance company cannot change it – a rare thing in today's world!

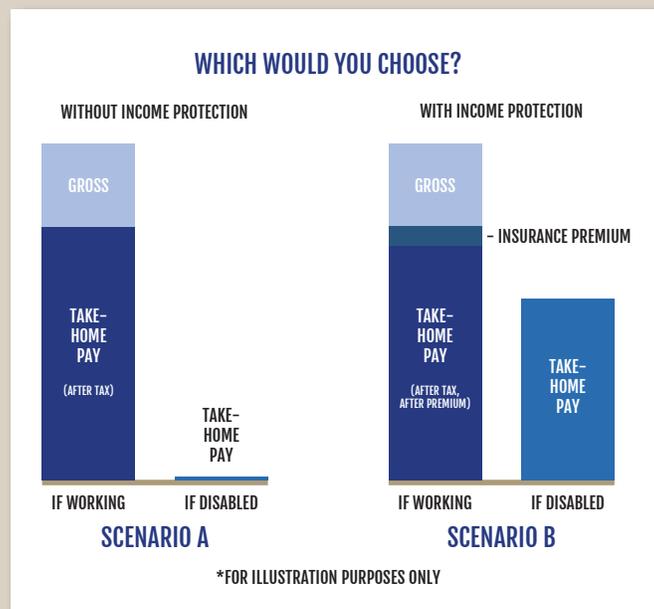
In the event that the company you work for does not make any group insurance available, an individual disability policy may be your only bet. For an individual policy that covers 60-70% of income, premiums are typically in the 2-3% of income range, and will vary with age, gender, and occupation. Some insurance

companies offer a discount on individual disability policies when purchased alongside a life insurance policy. You can even use the same paramedical exam to apply for both.

For small business owners, we can work with you to make long-term disability coverage available to you and your employees at little-to-no cost to your business. By offering long-term disability coverage through the business, employees will get unisex rates and often get to skip the underwriting process all together. This is great, especially

when you have uninsurable employees in need.

According to the Social Security Administration, 1 in 4 of today's 20 year-olds will suffer a long-term disability before they retire. If you are not sure how much of your income is truly protected, or do not know the specifics, now is the time to find out. Like with all insurance, we hope you never need it. But for individuals watching over their families and business owners watching over their employees, we are here to help you review your coverage, answer any questions you may have, and plan for financial security.



While the House GOP tax plan has the same exact tax rates, the brackets are slightly different – particularly with the filing single bracket. The Trump plan attempts to remove the “marriage penalty” by making the single brackets equal to 50% of the married filing jointly brackets. The House GOP plan attempts to keep the income brackets similar to the prior year brackets, thereby not causing the higher income single taxpayers to be pushed into a higher bracket more quickly. In addition, the Trump plan removes the Head of Household filing status while the House GOP plan retains this filing status.

NO MORE PERSONAL EXEMPTIONS AND AN INCREASE IN THE STANDARD DEDUCTION

Both plans attempt to consolidate the current standard deduction and personal exemptions into one deduction. For larger families, this change alone would actually increase taxable income.

STATUS	TRUMP PLAN	HOUSE PLAN
SINGLE	\$15,000	\$12,000
SINGLE WITH CHILD	-	\$18,000
MARRIED	\$30,000	\$24,000

CHANGES TO ITEMIZED DEDUCTIONS

The House GOP plan looks to eliminate all itemized deductions other than charitable contributions and mortgage interest. The Trump plan keeps the other itemized deductions, but caps the total amount at \$200,000 for married filing joint taxpayers (\$100,000 for single).

NET INVESTMENT INCOME TAX AND THE ALTERNATIVE MINIMUM TAX

Both plans intend to eliminate the Net Investment Income Tax (enacted as part of the Affordable Care Act) and to eliminate the Alternative Minimum Tax.

CHILDCARE DEDUCTIONS/CREDITS

Under Trump’s tax plan, childcare costs are deductible from adjusted gross income, up to the average cost of care in the taxpayer’s state of residency. The deduction would phase-out for individuals earning more than \$250,000 or couples earning more than \$500,000. In addition, credits (“spending rebates”) of up to \$1,200 a year for childcare expenses to lower-income families would be available through the earned income tax credit. In contrast, the House GOP plan increases the child tax credit to \$1,500 per child, but limits the refundable portion of the credit to \$1,000 while raising the income phaseout threshold to \$150,000 for married filing joint taxpayers.

CORPORATE TAX RATE REDUCTION

Both plans call for a rate reduction on corporate taxes: Trump plan reduces the tax rate to 15% and the House GOP plan reduces the tax rate to 20%. Both plans eliminate the corporate alternative minimum tax and both plans call for the elimination of the domestic production activities deduction as well as all tax credits other than for research and development. In addition, both plans have provisions to increase the immediate deduction of capital investments. Furthermore, both plans call for a deemed repatriation of currently deferred foreign profits at a reduced tax rate.

In addition to these provisions, both plans look to eliminate the estate tax and the Trump plan provides for a different tax rate on income from pass-through businesses. Both of these plans aim to make dramatic changes to the tax code. It’s important to remember that all these items are still simply proposals; however, the similarity of the plans seems to indicate that many of these provisions will eventually work their way into the tax law in some form...we just don’t know when.

NEW BCS TEAM MEMBERS



AMY CULLER
Johnson City Small
Business Department



LAURA PICKWELL
Kingsport Part-Time
Admin



KIM HOWELL
Kingsport Small Business
Department



VICKI LEGG
Johnson City
Full-Time Admin

BCS Blackburn, Childers & Steagall, PLC

Certified Public Accountants & Consultants

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Johnson City | Kingsport | Greeneville



BCS

Wealth Management, LLC



NEW PARTNER AT BCS WEALTH: NATHAN GOODWIN

Congratulations to Nathan Goodwin, the newest partner at BCS Wealth Management. Nathan is an attorney and Financial Advisor, and when he joined the firm, he brought not



only his law background but also significant business experience. Nathan has worked hard these past few years to establish BCS Wealth Management in Kingsport. Nathan is available for complimentary consultations in Johnson City and Kingsport, and you can reach him at 423.283.9821 or ngoodwin@bcswwealth.com.

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CHANGE SERVICE REQUESTED

MAKE TAXES GREAT AGAIN

SEE FRONT PAGE FOR A SPECIAL LOOK AT THE PLANS
PROPOSED BY THE HOUSE AND PRESIDENT

UPCOMING SEMINARS

EMPLOYEE BENEFIT PLAN UPDATE | APRIL 18, 2017

ACCOUNTING UPDATE SEMINAR | MAY 4, 2017

CHURCH FINANCE WORKSHOP | OCTOBER 12, 2017

For more information, please visit our website:

www.bcscpa.com