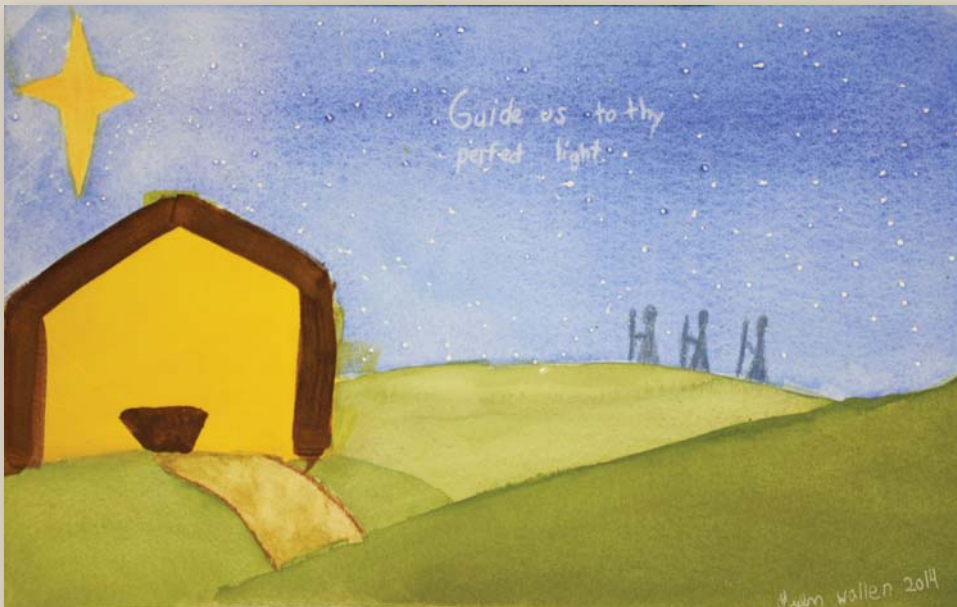


Client Tell

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

Volume XX No. 4 Winter 2014

Blackburn, Childers & Steagall, PLC Quarterly Newsletter



Christmas Art Contest 1st Place

Dylan Wallen
Age 7

Son of
Rachel Wallen

Watercolor

Kenny Benson Joins BCS



Kenny Benson, CPA, has joined the Tax Department at BCS in the Greeneville and Kingsport offices as a Senior Tax Manager. Kenny comes to BCS with more than 12 years of experience in public accounting. He has a Master of Accountancy from ETSU. Kenny specializes in taxation, particularly planning and compliance

for individuals and family-owned entities, including manufacturing, service organizations, and rental real estate. He serves on the Board of the United Way of Greeneville-Greene County and the Finance and Facility Committee of First Presbyterian Church in Greeneville. Kenny and his wife, Sarah, have two children, Anna and Cole.

New Tangible Property Regulations

By Andy Hatfield

The IRS released the final tangible property regulations in September 2013, as well as the final regulations relating specifically to property dispositions in August



2014. These new regulations are possibly the most dramatic change in tax law since the overhaul of the Internal Revenue Code in 1986. They relate specifically to the tax deductibility of materials and

Continued on page 4



Culture: A Leader's #1 Responsibility

By Tommy Greer

In the past few months, I've heard a national championship winning football coach, one of the top business consultants in our nation and a minister of one of the largest churches in our country. No, this isn't the beginning of a bad joke, but it is about a key ingredient that each of these very successful people across a spectrum of organizations mentioned a number of times. While none of their talks were specifically about culture, and more about their success and leadership, this term "culture" kept coming up and how important it was.

What is culture you might ask?

- Culture reflects "how we do things around here" and is the product of the values and beliefs that guide decision making, how relationships are managed within the organization (for example - a culture of mutual respect across all lines) and understanding the organization's mission.
- Culture is the "personality," the "reputation" or the environment of an organization.

Why does having the right culture matter?

- Research has found there is a direct correlation between culture and success.
- The best people will be attracted to and want to stay in an environment they enjoy and can succeed in.
- Culture strongly influences both individual and collective behavior and guides how we think and act on the job, thus less rules are needed.
- It will be a catalyst for either unity or division and optimism or negativity.

- The right culture reduces drama and increases productivity.
- Culture effects the organization's willingness and ability to change.
- The right culture makes everyone more successful, when the team wins everyone wins.
- Culture influences attitudes and perceptions of your organization.

Does culture really matter? Think of how much better a plant or a child grows and succeeds in the right environment. The same principle applies directly to the organizations we are leading, maybe even exponentially. I believe an organization can overcome many leadership mistakes, but will never be successful with an unhealthy culture.

A healthy culture can only be achieved from the top down. A healthy culture will never be obtained without the leaders living it and modeling it. That is why culture should be a leader's #1 responsibility.

Next quarter we will look at ways to cultivate the culture you want, or if you want to know more now go to our website at BCScpa.com/bcs-blog.



Personal Lines



Nikki Rice Congratulations to Nikki Haynes and Mark Rice, who were married on September 6th at Warriors Path State Park. Nikki and Mark are living in Jonesbor-

ough, Tennessee. Nikki is an administrative assistant in the Kingsport office.



Colby Hawkins Colby is new to the Tax Department in the Kingsport office. He has a Bachelor's degree in Accounting from ETSU and a Master's degree in Taxation from UT. Colby attends Highlands Fellowship Church.

Color Me Rad 5K



New Tangible Property Regulation

By Andy Hatfield - Continued from Page 1

supplies, guidance on when an improvement cost and the cost to acquire property must be capitalized (and depreciated) and when it can be expensed as a repair or maintenance item, and provides guidance on when an already capitalized cost can be written off as a disposition.

Nearly every business, including sole proprietors, individuals owning rental real estate and those that have operating farms will feel some type of effect from these new rules. The new law must be implemented starting with tax years beginning on or after January 1, 2014. There are some potential opportunities that will be available, but also some very stringent and time consuming compliance measures that must be taken. Below are a few highlights of the new laws and also a list of some of the tax compliance measures that will potentially need to be addressed on your 2014 tax return.

Highlights of the Regulations

1. *De minimis* safe harbor election – This is an annual election that can be made with your tax return to expense up to \$500 if you do not have an AFS (defined below) and up to \$5,000 if you do. These amounts are safe harbors that the IRS has given to be able to write-off an expenditure for property under these amounts as an expense rather than having to capitalize and depreciate. The amount you elect to expense must match your financial accounting policy and you must have a written policy in place.
 - A. AFS – Applicable financial statement is a statement that is audited by an accompanied opinion by a certified public accountant or a financial statement that is required to be provided to a federal or state government agency.
2. A safe harbor for “qualifying small taxpayers” (those businesses with gross receipts of \$10 million or less) for

improvements to “eligible building property.”

- A. A small taxpayer as defined above can generally expense items for repairs, maintenance and capital improvements during the year if the total of these items does not exceed the lesser of \$10,000 or 2% of the original cost of the building.
 - B. Eligible building property - A building or leased property that has an original cost of less than \$1 million. There are special rules for calculating the \$1 million threshold for leased property.
 - C. To take advantage of this new rule, an election must be filed with the tax return.
3. A safe harbor for routine maintenance to tangible personal property and buildings.
 - A. An amount paid is generally deductible if it is for ongoing repair and maintenance activities that are expected to occur more than once during the property’s class life (as provided by the IRS) or in the case of building structures, expects to occur more than once in a 10 year period.
 - B. To take advantage of this new safe harbor, Form 3115 (Application for Change in Accounting Method) must be completed and filed with the 2014 tax return.
 4. The property disposition rules:
 - A. Among other items, these new rules allow a taxpayer to dispose of a portion of a building when a replacement is added. For example, if a roof is replaced on a building, a calculated portion of the original cost of the building, specifically related to the roof, can be written off when a new roof is installed.

In addition to the items above, there are some new terms that are introduced in the regulations to help identify and illustrate when property must be expensed or capitalized.

ations

terms include: incidental and non-incidental materials and supplies, unit of property (UOP), betterments, restorations and adaptations. As a part of adopting this terminology and methods of accounting, which is a requirement to comply with the Tax Code and Regulations, a Form 3115 might need to be filed with your tax return.

List of Required Filing and Compliance Issues

1. Some taxpayers will need to file Form 3115 (Application for Change in Accounting Method) with their 2014 tax return. In addition, there will be required statements attached explaining certain line items on the form.
2. Annual election statements (when needed or advantageous) will need to be attached to the tax return.
3. Internal policies and procedures will need to be maintained by you to comply with these new rules.
4. Tax depreciation schedules will need to be “scrubbed” to see if there are potential opportunities to treat previously capitalized items as repairs or maintenance as provided by the new rules. We will also need to review these schedules to ensure correct class lives and methods are being utilized.

In summary, these new tax laws will need to be complied with by almost every taxpayer that has a business activity, a piece of rental real estate or an operating farm that deals with issues related to material and supplies, repairs and maintenance and capitalization of costs and related future depreciation.



Christmas Art Contest 2nd Place

Elizabeth Farmer Age 14

Daughter of Wade Farmer

Digital Art

Tax Organizers

Your individual tax preparation organizer will be in the mail the second week of January. Questions in the organizer can prompt you to remember significant events in 2014 that may impact your return, such as updating personal information, change in address, change in number of dependents, purchase or sale of your home, small business, rental property or farm expenses, or mortgage interest, property tax, and charitable contributions.

We recommend you:

- 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 any BCS office.

Food Drive for Second Harvest

The BCS Team filled more than two barrels for Second Harvest Food Bank of Northeast Tennessee during a food collection drive in the month of November. Last year, Second Harvest served 82,400 unduplicated clients in the region, and that number includes more than 22,000 children and over 11,000 seniors.



BCS Wealth Client Appreciation Event

The largest ever BCS Wealth Management Client Appreciation Event was held in October at the Blackthorn Club, and featured several speakers about equity markets, fixed income markets and interest rates, and everyone's favorite topic this time of year.. FOOTBALL. Coach Philip Fulmer was a crowd favorite as he spoke about his football career, his family, and his current ventures. The event also featured a silent auction which raised \$3,000 for charity that we split between the ETSU Football Program and Good Samaritan Ministries. Our annual golf scramble rounded out the day.



TN Hall Tax - Mandatory Electronic Filing & Payment

By Jake Hutchison

If you file a TN Hall Tax Return:

Effective January 1, 2014, all Tennessee Hall Individual Income Tax Returns (TN Hall Tax) prepared by a paid preparer (like BCS) are required to be filed and paid electronically. In order to meet this state requirement, the only additional information that we will need for your 2014 taxes is a voided check in order to have our software setup the bank draft. When you send your individual tax return information to us, please also send a voided check.



Christmas Art Contest 3rd Place - Tie

Makenna Oiler Age 12

Daughter of Lois Oiler

Pencil

Rachel Cole Age 12

Daughter of Beth Cole

Acrylic Paint

Save the Date!

More details posted on BCScpa.com, or email KHopson@BCScpa.com.

ACCOUNTING UPDATE SEMINAR

Presented by Blackburn, Childers & Steagall, CPAs and ETSU

Thursday, May 21, 2015
MeadowView Convention Center
Kingsport, Tennessee



CONTINUING PROFESSIONAL EDUCATION

BCS Blackburn, Childers & Steagall, PLC

Certified Public Accountants & Consultants

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CHANGE SERVICE REQUESTED



Merry Christmas & Happy Holidays!

BCS sponsored an art contest for children and grandchildren of partners and staff. The entries were judged by an independent panel, and the top four are featured in this newsletter. All other entries can be found on our website, at BCScpa.com, and click on the Christmas Gallery. We are proud of the creativity of all our young artists!

