

Memorandum

To: Clients, Associates & Friends of Pro@ctive CPA
From: Mark L. Wyssbrod, Managing Member
Date: June 1, 2013
Re: June Update – Gifts & Rewards

In this memorandum, you will receive information about the following:

- A time to take a deep breath and reflect
- Business gifts & employee rewards
- Deadline reminders
- Financial ratio of the month

Please contact me should you have any questions. Turn that frown upside down!

Introduction: A Time to Take a Deep Breath and Reflect

Every once in a while, I enjoy taking time to find a scenic view, fresh air, and just think. I think a lot about the changes in our world. These changes are diverse: from technology to raising children, from the economy to business relationships, just to name a few. I know I am getting older to because I am starting to use phrases like “when I was young or growing up,” and I am noticing how innovation is changing the way we do things at a quicker pace. For instance, when I was growing up we didn’t have a cell phone for our family until I was in high school; the cell phone was in a backpack and had to remain in the car; it cost over \$0.50 (~\$0.78 in today’s \$s) per minute! Today, we have cell phones that are more of small computers, camera, GPS and phone all in one and they are very affordable for many individuals. Technology can make use more efficient than ever! Plus, what would we do without all of these devices?

Our economy has also gone from one in which we were proud and may even pay more for a Made In America product. Today, globalization and the cost of living, as well as financial pressures, force many to choose lowest cost. In the 2000’s the world woke up to China dominating the manufacturing industry. Life for many around the world is improving and we can tell this through countries having a boom in their middle classes.

These reflections help solve current problems as well as having an understanding of where the future might just take us. If there is a repeating of our recent and future past, it is this: nothing stays the same and the world is changing at a faster pace than ever! Is your business flexible and are you ready for the next change?

I hope you are able to find time to take a deep breath and reflect,

Mark W.

Gifts & Rewards

How can you reward your staff without giving them a bonus? How can you thank a vendor for a job well done or a client for doing something nice for your company?

- Business Gifts
 - You can give anyone a business gift as long as it is a part of the ordinary course of our trade or business
 - Limitation!
 - You can deduct up to \$25 per person per tax year
 - i.e. ABC Company gifts Ron two gifts during the tax year totaling \$40. For tax purposes ABC Company can deduct \$25 as a business gift and \$15 is a non-deductible business gift
 - Exceptions
 - Incidental costs, such as engraving, packaging, insuring and mailing are generally not included in the \$25 limitation
 - The following items are not considered gifts for purposes of the \$25 limitation:
 - An items that costs \$4 or less and
 - Has your name clearly and permanently imprinted on the gift
 - Is one of a number of identical items you widely distribute
 - Signs, display racks, or other promotional material to be used on the business premises of the recipient
 - [IRS Publication 463, Chapter 3](#)
- Employee Awards
 - You can provide your employees awards that are tax deductible to the company and non-taxable to the employee up to \$400 for non-qualified plans and \$1,600 for qualified plans
 - A qualified plan is a written plan or program that does not favor highly compensated employees as to eligibility or benefits
 - Highly compensated employees is any employee who meets either of the following:

- A 5% or greater owner of the business at any time of the year or preceding year
 - An employee received more than \$115,000 in pay for the preceding year
- Achievement Awards
 - An item of tangible personal property that is
 - Given to the employee for length of service or safety achievement
 - Awarded as part of a meaningful presentation
 - Awarded under conditions and circumstances that do not create a significant likelihood of disguised pay
- Length of Service Awards
 - The employee receives the award after their first 5 years of employment
OR
 - The employee did not receive another length-of-service award during the same year or in any of the prior 4 years
- Safety Achievement Award
 - A safety achievement award will qualify unless one of the following applies:
 - It is given to a manager, administrator, clerical employee or other professional employee
 - During the tax year more than 10% of the company's employees have already received safety awards
- Limitation
 - Your deduction for the achievement awards given to any one employee during the tax year is limited to:
 - \$400 for awards that are not qualified plan awards
 - \$1,600 for all awards whether or not qualified plan awards
- [IRS Publication 535](#)

Make the most of the deductions available to your business!

Deadline Reminder: Important Dates to Remember!

- June 17 – 2nd quarter estimated tax payments are due for individuals, composite taxpayers, trusts and corporations
- June 30 - Reporting foreign bank & investment accounts due

Financial Ratio of the Month

The Inventory Days (ID) is a measurement of the amount of inventory in days you have on hand. If you are a business that works with inventory, this will be an important ratio for you to follow. The ID equals

$(\text{Inventory} / \text{Cost of Goods Sold}) \times 365$

Generally speaking the lower the ratio the better (i.e., you are managing inventory effectively). However, too low of a ratio could indicate you do not have enough product on hand to meet demand.

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