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Client Information Bulletin

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Five Ways to Improve Business Budgets

Strategic planning for the coming year

It is now 2017. Do you know where your business budget is?

This is the traditional time to draw up a budget for the coming year. Perhaps the way you previously developed the budget for your business has not been overly successful. Or maybe you have found as the year goes along that certain key factors were ignored or not given enough weight. In that case, the way you usually put together the budget may not be the best approach for your business.

Possible solution: Take a long, hard look at your process. Is it accomplishing all the objectives you hope to meet, including strategic planning, resource allocation, and performance and compensation evaluations? If not, change may be required. Here are five suggestions to consider:

***1.* Become more dynamic.** Important business decisions should be based on a realistic business plan. However, the traditional annual budget can quickly become obsolete when certain assumptions prove to be wrong. You need to move quickly to revise the budget when warranted.

For many firms, a quarterly review will not be sufficient. When significant factors—such as interest rates, fuel costs or direct competition—change, you may need to adapt on the fly. Build this flexibility into your budget.

***2.* Allocate and react.** Initial allocations are difficult, but once made, they do not have to be etched in stone. If more resources are needed, you should not be constrained by the budget. Additional budget allocations may be allowed during the year.

When an in-depth review is not feasible, you might ease some financial constraints. If you have good people in place, you need to trust them to make sound decisions without your micromanaging the situation.

***3.* Do not focus on performance evaluation.** Usually, it does not make sense to judge performance based on target numbers and principles that have become outdated. Furthermore, basing pay on budgets that the managers set for themselves encourages them to lower expectations to better their chances of meeting their goals.

If possible, keep performance evaluations separate from the planning processes. Managers should be judged on how their units actually perform during the measurement period.

***4.* Develop other metrics.** Financial results do not have to be the only measuring stick for business units and their managers. You might supplement the financial measures with metrics specific to each organizational segment, some of which

Early Tax Filers Get the Worm

Should you file your tax return early? It most likely will not hurt, and it certainly can help if you have immediate plans to use the money from a refund.

Note: The deadline for filing both individual and corporate tax returns for 2016 is April 18, 2017. Previously, C corporations had a March 15 (or next business day) deadline.

are leading indicators of future financial performance. Depending on the operation, these could include attaining significant new clients or customers; success in research and development; or improvements in production, customer satisfaction or employee morale.

5. Revise your assumptions. Frequently, budgetary goals are based on exceeding a threshold, so bonuses may not be paid if the goal is not achieved. This arrangement encourages managers who could be denied a bonus to manipulate the results. If your company shies away from this approach, there will be less temptation to "work the system" and greater emphasis on doing what is best for the company.

In summary: These five steps may create an environment conducive to growth and sustained success. Managers can make better decisions based on updated information. Budgeting will still be time-consuming, but it should be time well-spent.

IRS Maps Out New Per Diem Rates

Approved method for business travel

The IRS pays close attention to deductions claimed for business travel expenses. Both employers and employees must meet strict recordkeeping requirements or face the consequences. Fortunately, you can obtain some relief by using IRS-approved per diem allowances in lieu of accounting for every expense. Now the IRS has updated its per diem rates for business travelers in the government's 2017 fiscal year.

Per diems are actually allowances approved for travel by U.S. government employees. However, a business owner cannot use per diem allowances if he or she owns 10% or more of the company.

Starting point: As long as employees properly account for their business travel expenses, including the cost of meals and lodging, employer-paid reimbursements are tax-free to the employees and deductible by the company. This can lead to a recordkeeping nightmare. With a per diem allowance, employees do not have to keep receipts for all of their travel expenses. The employer simply pays the government-approved allowance—no muss, no fuss.

Employees do not even have to report the payments on their tax returns. However, they still must substantiate the time, place and business purpose of their business travel.

Notably, the government annually establishes a flat rate for certain high-cost areas. The list of high-cost areas includes established industry centers such as New York and Chicago. In addition, other areas may be included on a seasonal basis, such as Miami in the winter or Nantucket in the summer. All other locations fall into the other category.

New rates: The IRS recently announced new per diem rates for 2017. The new per diem rate for high-cost areas is $282 (up from $275), consisting of $214 for lodging and $68 for meals and incidental expenses (M&IE). The per diem for all other localities is $189 (up from $185), consisting of $132 for lodging and $57 for M&IE. **Note:** If an employer chooses, the new rates may be used for business travel expenses incurred after September 30, 2016. (The government's fiscal year began October 1, 2016.)

As usual, the list of high-cost areas was also tweaked. For 2017, destinations added to the list of high-cost areas include Sedona, Arizona; Los Angeles, California; Mill Valley/San Rafael/Novato, California; Vero Beach, Florida; Kill Devil, North Carolina; and Seaside, Oregon. Conversely, Mammoth Lakes, California, and Midland, Texas, were removed from the list. Finally, the times of certain seasonal destinations were modified, including Denver/Aurora, Colorado; Vail, Colorado; Fort Lauderdale, Florida; Naples, Florida; Chicago, Illinois; Philadelphia, Pennsylvania; Jamestown/Middletown/Newport, Rhode Island; and Jackson/Pinedale, Wyoming.

End point: This can be a valuable time-saver for employers and employees alike. Consult your professional tax advisers about your company's situation.

Coping with Difficult People at Work

Five tips for handling problems

If you work long enough, you will be forced to deal with difficult people on some level. It may be a co-worker, a client, a vendor or supplier, or a boss. This can make you dread coming to work every day and affect productivity and performance.

Practical advice: Do not despair. There are steps you might be able to take concerning a person or people you cannot tolerate. It can benefit you and the company overall. Here are five ideas to consider:

***1.* Face down the office bully.** A bully may intimidate you, insult you in front of others or otherwise make your life miserable. But you do not have to simply accept it For instance:

- Set limits on what you will tolerate. There is a line between normal workplace behavior and bullying that should not be crossed. If the bully does cross the line, be prepared to act in a reasonable manner.

- Confront the bully. Point out the inappropriate behavior. Surprisingly, the bully may be unaware of the effect he or she is having.

- Document incidents. Make sure you have proof of a bully's actions in case either one of you is called on the carpet.

- Follow the rules. It is likely that your human resources (HR) department has established procedures. Consult HR to determine how to best proceed.

***2.* Be a team player.** In most cases, a successful business depends on cooperation among employees. Rather than working for just yourself, work with others, no matter how difficult they can be. Be aware of issues that deserve some leeway. Do not sink to the level of bullies or disruptive co-workers; rise above it.

***3.* Tackle annoying habits.** Someone you work with, including an employee under your supervision, may exhibit annoying or unpleasant traits. It could be anything from offensive body odor or breath to constantly clicking pens or drumming desks in meetings. As with confronting bullies, initiating conversation about this requires courage. Be sensitive to the other person's feelings, but do not beat around the bush. Honesty is usually the best policy.

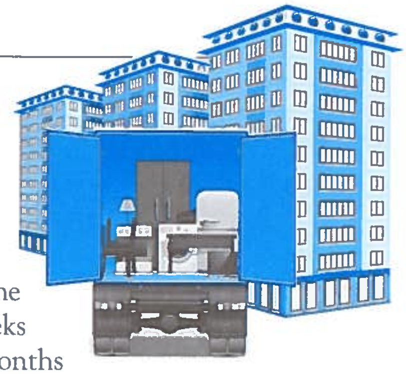
***4.* Cut down the gossip.** Unfortunately, gossip is rampant at many workplaces throughout the country. Far from being harmless, as many people assume, gossip can result in low morale and a toxic corporate culture. If you are a company manager or owner, you should not turn a blind eye to these goings-on. Address problems head-on, and institute policies that deter employees from engaging in gossip at work.

***5.* Defuse negative vibes.** Is your company hounded by "negative Nellies" who never, or rarely, have anything good to say? Before you do anything, listen to their complaints. If the complaints are legitimate, consider making improvements. However, if they are not, do not allow the negativity to fester. It might require discipline, warnings and, in the worst-case scenario, a change in employment.

Do not simply ignore these problems and hope they will go away. They most likely will not and could get worse. Find the solutions that will work for you and your company.

Give Us A Call!

*Do you have any questions or comments about **Client Information Bulletin** or your individual situation? Please do not hesitate to contact our office. We would be glad to serve you in any way we can.*



Tax Deductions on the Move

Key rules for job-related expenses

Are you planning a move in the near future? Be aware of special tax rules for deducting moving expenses on your personal tax return. In some cases, moving expenses are fully or partially deductible, while other times they are not.

Background: You may deduct moving expenses only if you switch jobs or get a new position. In other words, you cannot deduct expenses simply because you decided to get a bigger place or relocate to a different area. Assuming that the move is "job related," you still must pass this two-part test to qualify for deductions.

Part #1: The new job location must be at least 50 miles farther from your old home than your previous job location. For this purpose, the most commonly traveled route generally measures the distance between two points.

For example, say that Ms. Jones works for High-Tech Company. High-Tech transfers Jones from its Northtown office to a similar position in Southtown. Previously, Jones lived five miles from her job in Northtown. But her new job location in Southtown is 45 miles from her old house. Because the new job is only 40 miles farther from her old home than the old job was, Jones cannot deduct her moving expenses.

Part #2: If you are an employee, you must work full time for at least 39 weeks during the first 12 months after you arrive in the general area of the new job. **Note:** You do not have to work for the same employer, as long as the 39-week test is satisfied. If you are self-employed, you must work full time for (1) at least 39 weeks during the first 12 months and (2) a total of at least 78 weeks during the first 24 months after you arrive in the general area.

In general, you may deduct the "direct" expenses of moving to a new home. These include the cost of transferring household goods and personal effects (e.g., furniture, appliances and car) and your traveling expenses during the move. If you travel by car, you can keep track of the exact amount of your expenses or deduct a flat rate (plus related parking fees and tolls). The flat rate for 2016 returns is 19 cents per mile.

Note, however, that deductions are not allowed for "indirect" moving expenses, including:

- meals;
- pre-move house-hunting trips;
- temporary living expenses; and
- attorney's fees and real estate commissions related to the move.

Conclusion: Moving expenses are deductible before your adjusted gross income (AGI) is computed. Therefore, they are not subject to the "Pease rule" that reduces itemized deductions for upper-income taxpayers. In addition, deductions to arrive at AGI may further lower your overall tax bill. Consult a tax professional for more details.

Facts and Figures

Timely points of particular interest

➡**As Good as Gold**—New legislation exempts Olympic and Paralympic athletes from tax on their winnings. Previously, cash awards handed out to the victors (e.g., $25,000 for a gold medal winner), as well as the value of the medals, were subject to tax. But athletes are still taxed if their income for the year is $1 million or more. These new rules apply retroactively to athletes who competed in last summer's Olympics in Rio.

➡**Going Mobile**—Today's business gurus often stress the importance of making your company's website mobile-friendly. Remember, more than half your online visitors are likely connecting from a mobile device. Concerning future improvements, keep mobile users in mind when you create a new webpage or launch a marketing campaign.