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NEWSLETTER

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In This Issue

5-Growth Strategies for Today's Businesses

It's probably safe to say that nearly every business owner wants his or her company to grow. The question is: How? As you ponder your company's ideal strategic direction, here are five common business growth strategies to consider:

1. ***Create and deliver new products and services.*** This is probably the most obvious growth strategy, but that doesn't mean it's easy. Conduct market research to determine not only

which new products and services will appeal to your customers, but also which ones will be profitable.

2. ***Tap into new markets and territories*.** The idea here is to market and sell your existing products and services to different customer niches or to customers in different geographic areas. Market research can be one of the keys to success for this growth strategy.

3. ***Penetrate your existing markets*.** This strategy involves selling more of your existing products and services to your current customers. Start by performing analysis to determine which customers to target with marketing messages designed to increase specific product and service sales.

4. ***Develop new sales and delivery channels*.** The Internet is probably the best example of a new sales and delivery channel for products and services. Look for new ways you can use the Internet or another alternative channel to grow your sales and revenue.

5. ***Mergers and acquisitions (M&A)*.** Growing through M&A is very different from the other, more organic growth strategies. This strategy can result in rapid growth literally overnight, as well as the realization of valuable synergies between the merged companies. Performing thorough due diligence on acquisition/merger candidates is absolutely the key to successful growth via M&A.

So You Just Filed Your Taxes — Could an Audit Be Next?

Like many people, you probably feel a great sense of relief wash over you after your tax return is completed and filed. Unfortunately, even professionally-prepared and accurate returns may sometimes be subject to an IRS audit.

The good news? Chances are slim that it will actually happen. Only a small percentage of returns go through the full audit process. Still, you're better off informed than taken completely by surprise should your number come up.

Red flags

A variety of red flags can trigger an audit. Your return may be selected because the IRS received information from a third party — say, the W-2 submitted by your employer — that differs from the information reported on your return. This is often the employer's mistake or occurs following a merger or acquisition.

In addition, the IRS scores all returns through its Discriminant Inventory Function System (DIF). A higher DIF score may increase your audit chances. While the formula for determining a DIF score is a well-guarded IRS secret, it's generally understood that certain things may increase the likelihood of an audit, such as:

- Running a traditionally cash-oriented business,
- Having a relatively high adjusted gross income,
- Using valid but complex tax shelters, or
- Claiming certain tax breaks, such as unusually high interest expense deductions.

Bear in mind, though, no single item will likely cause an audit. And, as mentioned, a very low percentage of returns are examined. This is particularly true as the IRS grapples with its own budget issues.

Finally, some returns are randomly chosen as part of the IRS's National Research Program. Through this program, the agency studies returns to improve and update its audit selection techniques.

Careful reading

If you receive an audit notice, the first rule is: Don't panic! Most are *correspondence* audits completed via mail. The IRS may ask for documentation on, for instance, your income or your purchase or sale of a piece of real estate.

Read the notice through carefully. The pages should indicate the items to be examined, as well as a deadline for responding. A timely response is important because it conveys that you're organized and, thus, less likely to overlook important details.

Your response (and ours)

Should an IRS notice appear in your mail, please contact our office. We can fully explain what the agency is looking for and help you prepare your response. If the IRS requests an in-person interview regarding the audit, we can accompany you — or even appear in your place if you provide authorization.

Reviewing Your Company's Buy-Sell Agreement

If you own a business and follow professional advice, you've likely established a buy-sell agreement in case you or a co-owner voluntarily or involuntarily leaves the company. Assuming this is true, remember that it's not enough to draft an agreement and put it in a safe place. You need to review and perhaps revise the document periodically.

Problems solved

The primary purpose of every buy-sell agreement is to legally confer on the owners of a business or the business itself the right or obligation to buy a departing owner's interest. But a well-crafted agreement can also help ensure that control of your business is restricted to specified individuals, such as current owners, select family members or upper-level managers.

Another purpose of a buy-sell agreement is to establish a price for the ownership interests. You should normally engage a qualified appraiser to estimate the value of those interests when first drafting a buy-sell agreement, and periodically thereafter to ensure the price keeps up with the growing (or shrinking) value of your company.

Estate planning is also a priority for many buy-sell agreements. If your agreement was drafted more than a few years ago, you may need to update it based on recent gift and estate tax changes. For 2017, the top rate for the gift, estate and generation-skipping transfer (GST) taxes is 40% and the exemption limit is $5.49 million per person. However, also keep in mind that the President and Republicans in Congress have indicated a desire to repeal the estate tax.

Standard and unusual triggers

Most buy-sell agreements lie dormant for years. What can quickly bring one to life is a "triggering event," such as when an owner:

- Dies,
- Becomes disabled, or

- Retires or voluntarily leaves the company.

But you may want to make sure your agreement also covers triggers such as changes in an owner's marital status. And to prevent fraud or inappropriate behavior, many agreements include "conviction for committing a crime, losing a professional license or certification, or becoming involved in a scandal" as a triggering event.

Two (2) options

Buy-sell agreements typically are structured as one of the following agreements:

- *Redemption*, which permits or requires the business as a whole to repurchase an owner's interest (often not the best approach for tax purposes),
- *Cross-purchase*, which permits or requires the remaining owners of the company to buy the interest, typically on a pro-rata basis, or

In choosing your buy-sell agreement's initial structure, you need to consider the tax implications. They'll differ based on whether your company is a flow-through entity (S corporation or partnership), or a C corporation.

Sources of funds

Buy-sell agreements require a funding source, so the remaining owners can buy their former co-owner's shares. Life insurance is probably the most common.

Worth the effort

Keeping your buy-sell agreement updated requires some effort. But the effort will more than pay off in saved time and prevented conflicts should a triggering event occur. And if you haven't yet established an agreement, now's the time to do so.

TAX CALENDAR

APRIL & MAY 2017

APRIL 2017

April 10
Employees who work for tips - if you received $20 or more in tips during March, report them to your employer. You can use Form 4070.

April 18
Besides being the last day to file (or extend) your 2016 personal return and pay any tax due, 2017 first quarter estimated tax payments for individuals, trusts, and calendar-year corporations are due on this date. SEP and Keogh contributions are also due if your return is not being extended.

Corporations – File a 2016 calendar year income tax return (Form 1120) and pay any tax due. If you want an automatic 5-month extension of time to file the return, file Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, and deposit what you estimate you owe.

MAY

May 10
Employees who work for tips - if you received $20 or more in tips during April, report them to your employer. You can use Form 4070.

May 15
Employers - for Social Security, Medicare, withheld income tax and nonpayroll withholding, deposit the tax for payments in April, if the monthly rule applies.

Other helpful on-line services

www.IRS.gov
www.MyFlorida.com
&
www.Volusia.org