

# Cohen Smith & Company, P.A.

## NEWSLETTER



**CERTIFIED PUBLIC ACCOUNTANTS**  
*Business and Personal Advisors*  
133 EAST INDIANA AVENUE  
DELAND, FLORIDA 32724-4329

**PHONE: (386) 738-3300      FAX: (386) 736-2267**

Interested in knowing more about our firm? Please take a minute to browse our website at [www.cohensmithcpas.com](http://www.cohensmithcpas.com).

### July 2017

#### **In This Issue**

- 2017 Back-to-School Sales Tax Holiday
- Why You Should (or Shouldn't) Pursue an Acquisition
- Which Type of Mortgage Loan Meets Your Needs
- Know Your Tax Hand When it Comes to Gambling
- Tax Calendar



#### **2017 Back-to-School Sales Tax Holiday**

**August 4 through August 6, 2017**

This sales tax holiday begins at 12:01 a.m. on Friday, August 4, 2017, and ends at 11:59 p.m. on Sunday, August 6, 2017.

A list of the eligible items and a copy of this publication are available on the Florida Department of Revenue's website:

[www.floridarevenue.com](http://www.floridarevenue.com)

During this sales tax holiday period, Florida law directs that no sales tax or local option tax (also known as discretionary sales surtax) will be collected on purchases of:

- ★ Clothing, footwear, and certain accessories selling for **\$60 or less** per item
- ★ Certain school supplies selling for **\$15 or less** per item
- ★ Personal computers and certain computer-related accessories, selling for **\$750 or less** per item, **when purchased for non-commercial home or personal use.**

This sales tax holiday does not apply to:

- ★ Any item of clothing selling for more than \$60;
- ★ Any school supply item selling for more than \$15;
- ★ Books that are not otherwise exempt;
- ★ Personal computers and computer-related accessories purchased for commercial purposes;
- ★ Rentals or leases of any eligible items; or
- ★ Sales of any eligible items in a theme park, entertainment complex, public lodging establishment, or airport.



## Why You Should (or Shouldn't) Pursue an Acquisition

Like so many aspects of the national and global economies, merger and acquisition (M&A) activity tends to wax and wane. Nonetheless, billions of dollars continue to change hands annually, and an acquisition can be a great way to grow a business. So, if one of these deals comes your way, it's important to carefully consider both the pros and cons.

### Look at the possibilities

Merging with, or acquiring, another company is one of the best ways to grow rapidly. You might be able to significantly boost revenue, literally overnight, by acquiring another business. Achieving a comparable rate of growth organically — by increasing sales of existing

products and services or adding new product and service lines — can take years.

An acquisition also might enable your company to expand into new geographic areas and new customer segments more quickly and easily. You can do this via a horizontal acquisition (acquiring another company that's similar to yours) or a vertical acquisition (acquiring another company along your supply chain).

In addition, you can realize synergies by acquiring the right type of company. Synergies are business characteristics and capabilities that complement and work well with those of your own company. The idea is to find an acquisition target that offers the right synergies so that the new combined entity will be stronger than either business would have been on its own.

### Be aware of drawbacks

Although there are many potential benefits to acquiring another business, there are some potential drawbacks as well. For example, completing an acquisition is a costly process, from both a financial and a time-commitment perspective.

Therefore, you should determine how much the transaction will cost and how it will be financed *before* beginning the M&A process. Also, try to get an idea of how much time you and your key managers will have to spend on M&A-related tasks in the coming months — and how this could impact your existing operations.

A loss of control is another potential drawback to consider. Depending on the deal's structure, some degree of control may have to be shared with the owners of the business you're acquiring, especially if the owners aren't retiring but intend to be actively involved with the merged entity.

It's also critical to try to ensure that the cultures of the two merging businesses will be compatible. Mismatched corporate cultures have been the main cause of numerous failed mergers, including some high-profile megamergers. For instance, if one company has a more formal and buttoned-down culture while the other is more casual and laid back, conflicts will likely ensue unless you plan carefully for how the two divergent cultures will be blended together.

### **Perform due diligence**

The best way to reduce the risk involved in buying another business is to perform solid due diligence on your acquisition target. Your objective should be to confirm claims made by the seller about the company regarding its financial condition, clients, contracts, employees and management team.

The most important step in M&A due diligence is a careful examination of the company's financial statements — specifically, the income statement, cash flow statement and balance sheet. Also, scrutinize the existing client base and client contracts (if any exist) because projected future earnings and cash flow can largely hinge on these.

Finally, try to get a good feel for the knowledge, skills and experience possessed by the company's employees and key managers. In some circumstances, you might even consider offering key executives ownership shares if they'll commit to staying with the company for a certain length of time after the merger.

### **Map your course**

An acquisition is one way to expand and grow your company. But be sure to map your course thoroughly before heading down the M&A road. Should you decide to pursue a merger opportunity, our firm can help steer you in the right direction.



## **Which Type of Mortgage Loan Meets Your Needs?**

Few purchases during your lifetime will be as expensive as buying a home. Whether it's your primary residence, a vacation home or an investment property, how you choose to pay for it can have a significant impact on your financial situation over time. If you're considering a mortgage loan, understanding the main categories of mortgages — fixed-rate and adjustable-rate — and the situations they're best designed for will help you match the right type for your needs.

### **Fixed-rate loans offer stability**

A fixed-rate mortgage, as its name suggests, is a loan whose interest rate remains constant for the life of the loan — typically 15 or 30 years. One of the primary benefits of a fixed-rate loan is that it provides a measure of certainty about one of the biggest expenses in your monthly budget. With interest rates likely to rise after an extended period of historically low rates, you won't have to worry about potentially higher payments in the future if you select a fixed-rate loan.

That said, if interest rates were to fall again, your fixed-rate loan would leave you unable to take advantage of the shift unless you refinance, which might involve fees. You're also paying a premium for the stability offered by a fixed-rate mortgage. You could consider a 15-year fixed-rate loan, which would charge a lower rate than a 30-year loan, but the tradeoff will be higher monthly payments.

### **ARMs provide flexibility**

Adjustable-rate mortgages (ARMs) typically offer a fixed interest rate for an initial period of years. This rate, which is usually lower than that of a comparable fixed-rate mortgage, resets periodically based on a benchmark interest rate.

For example, a 5/1 ARM means that your interest rate is fixed for the first five years and then will adjust every year after that.

Paying less interest in the beginning frees your cash for other investments. You might also take advantage of an ARM if you're confident that you'll have more money in the future than you do today, or if you plan on selling your house before or soon after the initial fixed-rate period expires. When considering an ARM, you'll need to assess your ability to keep up with potentially higher payments — say, if the initial period expires, your rate goes up and you're unable to sell the home, or if your income changes.

### **The best for you**

The right loan type depends, naturally, on your financial position. But whether you're buying a primary residence, vacation home or investment property also plays a role. Regardless of which type of home you're purchasing, having a basic knowledge of the loan types can help ease the buying process.

## **Know Your Tax Hand When it Comes to Gambling**



A royal flush can be quite a rush. But the IRS casts a wide net when defining gambling income. It includes winnings from casinos, horse races, lotteries and raffles, as well as any cash or prizes (appraised at fair market value) from contests. If you participate in any of these activities, you must report such winnings as income on your federal return.

If you're a casual gambler, report your winnings as "Other income" on Form 1040. You may also take an itemized deduction for gambling losses, but the deduction is limited to the amount of winnings.

In some cases, casinos and other payers provide IRS Form W-2G, "Certain Gambling Winnings" — particularly if the entity in question withholds federal income tax from winnings. The information from these forms needs to be included on your tax return.

If you gamble often and actively, you might qualify as a professional gambler, which comes with tax benefits: It allows you to deduct not only losses, but also wagering-related business expenses — such as transportation, meals and entertainment, tournament and casino admissions, and applicable website and magazine subscriptions.

To qualify as a professional, you must be able to demonstrate to the IRS that a "profit motive" exists. The agency looks at a list of nonexclusive factors when making this determination, including:

- Whether the taxpayer conducts the gambling activity in a "businesslike" manner,
- The quantity of time spent gambling, and
- How much income is earned from *nongambling* activities.

But don't "go pro" for the tax benefits, since professional gambling carries a major financial risk. If you enjoy the occasional game of chance, or particularly if you're considering gambling as a profession and have questions, please contact our firm. We can provide you more details on the tax aspects of hobby vs. professional gambling.



## **TAX CALENDAR**

### **JULY & AUGUST 2017**

#### **JULY 2017**

##### **July 10**

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

##### **July 17**

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

##### **July 31**

Social Security, Medicare, and withheld income tax - file Form 941 for the second quarter of 2017. Deposit any undeposited tax. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until August 10 to file the return.

Federal unemployment tax - deposit the tax owed through June if more than \$500.

Employers must file Form RT-6 with the Florida Department of Revenue, for the second quarter of 2017. Deposit any undeposited tax.

All employers - if you maintain an employee benefit plan, such as a pension, profit-sharing, or stock bonus plan, file Form 5500 or 5500-EZ for calendar year 2016. If you use a fiscal year as your plan year, file the form by the last day of the seventh month after the plan year ends.

#### **AUGUST 2017**

##### **August 10**

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

##### **August 15**

Social Security, Medicare, withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in July.

#### *Other helpful on-line services*

[www.IRS.gov](http://www.IRS.gov)  
[www.MyFlorida.com](http://www.MyFlorida.com)  
&  
[www.Volusia.org](http://www.Volusia.org)