



CONNECTIONS

Written and Published by Members of Jacksonville's **Small Business Resource Network**

Spring 2000

SBRN to Host Springfield Workshops

The Small Business Resource Network is taking its expertise on the road and all business owners are invited to its first **Small Business Connections**, a series of free workshops, May 23rd at the Solomon Lodge, 25 E. 1st St. in Springfield.

Springfield, one of Jacksonville's first neighborhoods, is an area being targeted for revitalization, and SBRN recently received a city grant to assist business owners and entrepreneurs in the area.

"SBRN has two goals for *Small Business Connections*," says local CPA and *Small Business Connections* Chairperson Liz Haring. "One is to bring Jacksonville's entrepreneurs together to meet and share information valuable to business owners. The second goal is to bring more eyes into the Springfield area so people can see the potential this unique neighborhood has for both commercial and residential development."

The workshops begin at 4 p.m. and will cover such topics as keeping good employees, mastering financial

management and maintaining quality customers. The informative sessions will be presented by SBRN members.

The Springfield Business Association will then host a reception and resource fair from 5 to 7 p.m., fol-

lowed by workshops on insurance, technology and tax issues. For more information on **Small Business Connections**, call Nancy Boyle, 620-2489. You don't want to miss this opportunity!



Dear Reader:

Welcome to Spring 2000—the possibilities of the new year are slowly being shaped and molded into exciting realities. At our first meeting this year, members were asked to focus their attention on opportunities to participate in the organization. Committees and networks are now busy working on achieving objectives set for the year.

Our mission, to "help small business achieve greater success by expanding their awareness of available business and professional resources," is being actualized by our joint effort with the City of Jacksonville as we work with small businesses in the Mayor's Intensive Care Neighborhoods. The Neighborhood Program Committee has already planned the trade fair and workshops discussed in the lead article, and also established the mechanism for individual, one-on-one consulting (kudos to our pioneer volunteer Mark Patrick, CPA).

Technology in business continues to keep our attention, and a recent SBRN luncheon featured a panel of technology experts, including attorneys Richard Buck and Sally Kircher, and consultants Ray Chauncey, Charlie Glisson and Larry Levy. Their lively discussion about local area networks, information sharing, the internet, E-commerce, registering domain names, cybersquatting and websites educated members and challenged us to use technology for greater success in our businesses. As we develop our own new website, www.sbrn.org, please visit it and provide us with feedback on ways it can be enhanced to serve your needs.

This year promises to be a good one for SBRN. We continue working together, helping our small business clients, and fine-tuning our business connections among fellow members. Have a productive season!

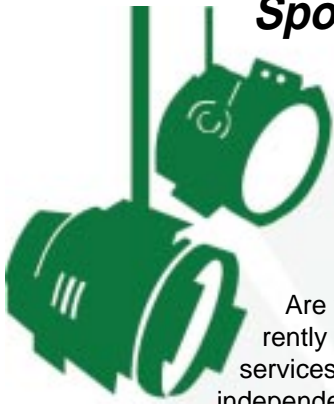
Sincerely,

Tricia L. Pulsifer, CPA
2000 President
Small Business Resource Network



Con-nec-tions

1. The act of connecting, or the state of being connected.
2. That which joins or relates; a bond or link.
3. Group of associates, often considered influential in some way.
4. **Small Business Resource Network.**



Spotlight on...

Employee or Independent Contractor?

By MARK WILKINSON, CPA

Are you currently using the services of an independent contractor? Are you sure?

Let's look at some examples—and the applicable rules.

A company treated one of its workers ("Pete") as an independent contractor for 1995 and did not withhold income taxes or FICA taxes from his wages. The company assumed that Pete would pay his own income taxes and self-employment (social security) tax.

In fact, Pete did not pay the full amount of his income taxes. The IRS later audited Pete and determined he was an employee and not an independent contractor (self-employed) in 1995. The question

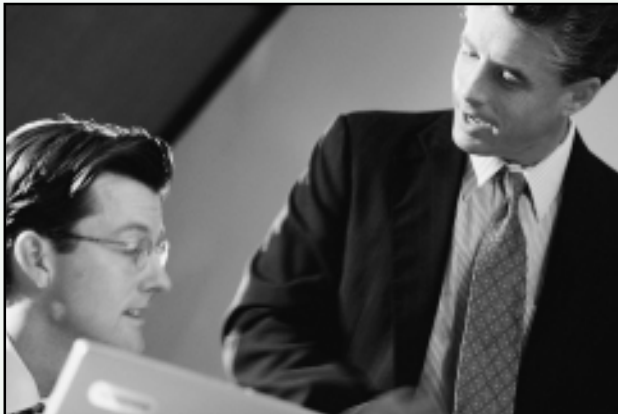
then: Who was legally responsible for the underpayment of Pete's income tax? Pete claimed his employer was responsible for his income tax liability for 1995 because it failed to withhold these taxes from his wages when they were earned. Tax Court rejected Pete's argument and agreed with the IRS. In other words, the worker remains fully liable for income tax arising from the receipt of gross wages.

Therefore, even though the company misclassified John as self-employed and failed to withhold income taxes, he remained liable for his own income taxes for the year. The employer was, however, fined penalties for failing to withhold taxes. Now let's take a de-

tailed look at both the worker's and employer's liabilities for improperly classifying an employee as an independent contractor:

The Worker's Liability

If an employer treats a worker as self-employed who is later reclassified as an employee by the IRS, the worker remains liable for paying his or her own income taxes. If the worker originally failed to pay the correct amount of income taxes, he or she cannot hold the employer liable for the unpaid taxes on account of the employer's misclassification and failure to withhold the correct amount of taxes.



In fact, self-employed workers often underpay their taxes. One reason is that they spend the money

and do not have it available to pay the tax. Another reason is unfamiliarity with how they should file and pay the tax. As a result, whenever an employer misclassifies a worker as self-employed, there is a risk that the worker will underpay his or her taxes.

The Employer's Liability

The failure by an employer to withhold payroll taxes from a self-employed worker whom the IRS later reclassifies as an employee has the following consequences: The employer is liable for an "income tax" penalty of 1.5 percent of the employee's wages (3 percent if no 1099 was filed), the employer is liable for a "FICA" penalty of 20 percent of the

employee's share of FICA taxes (40 percent if no 1099 was filed), and the employer is liable for the full employer's share of FICA taxes. In addition, the employer is liable for the full amount of the employee's taxes if it intentionally disregards its withholding role.

More Examples

Joan worked part-time and earned \$10,000 for the year. Her employer treats Joan as self-employed, and she pays her income taxes and self-employment (social security). The employer issued Joan a 1099 form. Joan's 1999 tax return is audited, and she is reclassified as an employee by the IRS. If Joan failed to pay the correct amount of income taxes for 1999, then she is responsible for the underpaid tax.

The employer incurs a penalty of \$1068. The penalty is made up of (1) 1.5 percent of Joan's wages (2) 20 percent of Joan's share of FICA taxes (3) the full employer's share of FICA taxes of 7.65 percent. Even if Joan had paid the correct amount of taxes, the employer's penalty is the same.

If the employer did not issue Joan a 1099 form, penalties are increased to \$1674. If an employer decides to treat all employees as self-employed to avoid withholding taxes, this is considered intentional disregard, and the employer is potentially liable for all of its employees' taxes.

Unsure of your situation now? The members of SBRN's Accounting Network are just a phone call away—and ready to work for you.

Mark Wilkinson was SBRN's 1999 president and is a partner with Hartman, Blich & Gartside, CPAs. He specializes in audits, tax planning and profit analysis, and can be reached at 396-6675 or maw@hbgcpa.com.

Use E-mail To Boost Productivity

By **CHRISTINE SUNDBERG** - Computer Consultant

Sending and receiving E-mail is becoming commonplace in today's business, but is E-mail making your work life easier or more difficult? Many people would answer a resounding BOTH! The reason? Along with the ease of sending off a quick E-mail, comes an abundance of junk E-mail we must sort through.



If each of your 10 employees receives 15 junk E-mail messages per week, it would take about two hours per week to sort through them...upwards of eight hours each month, 96 hours per year! These lost hours translate into lost dollars over the course of a year for the small business, making junk E-mail a critical and costly problem.

Filter Out the Junk

Some programs allow you to filter out much of the junk E-mail you receive. Enabling this on a company-wide level will catch most of these E-mail messages. For example, the Organize tool (select the Organize icon while in the Inbox view) in Microsoft® Outlook® can automatically move junk E-mail to a separate location or delete it altogether. A text file of the exact filter terms is installed by default in C:\Program Files\Microsoft Office\Office.

Stop the Junk

You can eliminate quite a bit of junk mail from ever getting to your inbox by using a free E-mail address to do most of your web surfing (i.e. requesting information from websites, posting

messages in newsgroups, chat rooms, etc.). By using a separate free E-mail address for public postings, you can keep your main account relatively junk-free. When you begin receiving junk E-mail in your free account, just close down the account and open a new account.

Some free E-mail services include Yahoo!, Excite, Hot Mail and Juno.

Prioritize What You Read

Do you give your E-mail too much priority? Just like phone messages, not every E-mail requires an immediate response. Save the jokes and personal correspondence for later to concentrate on business now.

Faster Communications

Do you have to communicate with someone who never lets you off the phone? Using E-mail can make you more productive. Get the answers you need without

wasting time on the phone. The average phone call takes about 12 minutes; an E-mail takes one minute. If you replace 10 calls a week with E-mail, you'll save nearly two hours a week!

Many programs, such as Microsoft® Outlook®, can be set up to handle internal E-mail. Using internal E-mail can help eliminate those tiny pieces of paper everywhere and avoid lost phone messages.

Try some of these techniques today and watch your productivity grow!

Christine Sundberg is president of Bayhill Computer Care, which performs diagnosis, maintenance and installation of computer equipment for small businesses. She can be reached at 264-9049 or csundberg@bayhillinc.com.

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Five Common Mistakes Of Small Business Owners

By EVE E. BROWN, CPA

Starting a new business from the ground level is potentially the most challenging career move a person can make. Keeping that business going strong and helping it grow require dedication, a lot of time and the implementation of sound financial strategies. Too often, small business owners get so caught up in the venture itself, they overlook the finance and management issues that could fatally affect their business.

Here are the five major pitfalls a small business owner should avoid for a profitable year:

Pitfall #1- Failure to develop a business plan and budget

Your business plan lays the groundwork for your company. Without it,

your business may face financial struggles, which are otherwise easily avoidable.

The Solution: A business plan includes your policies and procedures, specific plans for the near future, general plans for the distant future and a budget based on the plans you laid out.

Developing and using a budget helps you manage cash flow accurately and prepare for business growth. A budget will also help you deal with employee bonuses,

profit-sharing expenses, paying tax bills, purchase of raw materials and establishing a line of credit with your bank.

Your business plan and budget should be based on a 12-month period and updated annually. Planning also offers other advantages such as increased deferment of taxes and the opportunity to funnel more money to share-

holders and employees.

Pitfall #2- Inadequate accounting

Many business owners put off book-keeping in favor of more pressing matters, e.g. marketing, serving customers and product development. Then they learn making wise financial decisions can be a difficult if not impossible responsibility.

Finding the time to study financial statements to evaluate financial information effectively and spot opportunities doesn't come easily for a small business owner.

The Solution: Find a professional you're comfortable with and use their knowledge to make your business run smoothly. Involving your CPA as a "partner" in your business allows him or her to analyze your situation and establish an accounting system that works for your business. Hiring a professional to handle these aspects of your business saves you money in the long run and ensures financial security.



JEDCO is Here for You

Need money to help your business grow? The Jacksonville Economic Development Company answered that question for 22 small businesses last year, approving \$24,678,058 in loans.

JEDCO, a division of the Jacksonville Economic Development Commission and an agency member of SBRN, helps businesses of all types by arranging long-term loans in cooperation with local banks, the Small Business Administration and other government funding sources.

Among the businesses helped last year: Bad Alice's Briar Patch, an artificial plant wholesaler and retailer; Bryant Design, a producer of communication pieces; Campeche Bay

Cantina restaurant; and Some Place Like Home, an adult congregate living facility.

Created in 1980 to help businesses expand their fixed assets for purposes of long-term growth, JEDCO's role was enlarged in 1998 to help businesses borrow money to increase their working capital for short-term needs. Over the last 20 years, JEDCO has helped more than 350 local businesses with loans totaling nearly \$183 million, result-

ing in the creation of more than 3400 new jobs.

For more information, call JEDCO at 630-1906 or visit the JEDCO website at www.jedco.net.



(Continued on page 6)

PREVENTING LOSSES MAKES BOTTOM LINE SENSE

By **DAVID SCHMERER** - Risk Management Consultant

Every business owner worries about profit. Revenues vs. expenses and costs is the all encompassing focus of entrepreneurship. The good news is most expenses and costs are easily identified and can be controlled with good planning.

Unfortunately, a veritable mess of hidden costs lurk beneath the surface of your business, waiting to rear their ugly heads and take chunks out of your bottom line. These costs appear only when it's too late and you have already suffered a loss.

A loss in risk management-speak occurs when some unplanned event creates an incident that injures an employee or private citizen, damages property, or involves the loss of property (such as stolen receipts, merchandise and trade secrets).

Losses incur two types of costs: Direct costs are dollars paid to doctors for treatment of injuries, or to repair or replace damaged equipment and property. Indirect costs are expenses

incurred to keep your business going while you recover from that loss. Indirect dollars are spent on training, temporary employees and equipment rental.

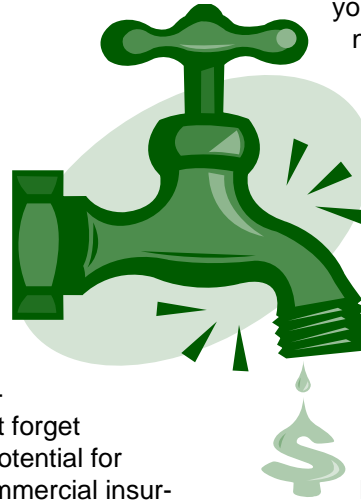
But wait . . . there's more. How about the time it takes you or another manager to investigate the incident and report the claim to your insurance provider? What about the paperwork, follow-up calls, and file maintenance? Let's also not forget legal costs and the potential for increases in your commercial insurance premiums.

The reality is that for every one dollar spent on direct costs, you spend on average another seven to eight dollars in indirect costs. A loss of \$1000 will mean a bottom line drain of \$7000-8000. At an average profit margin of 10%, you will have to do an additional \$75,000 in sales to make up for that loss.

Therefore, it becomes critical that you have a program in place to prevent as many losses as possible. You can start by working with your insurance providers, most of whom offer loss control services. Florida for example, requires insurance companies to provide loss control services. The services are paid for with your premiums, so why not use loss control specialists who can review your business's risk potential and provide you with solutions?

Learn about the haz-

ards your work creates and make your employees aware of them. If the hazards can be eliminated through redesign, the new design could save you a lot of time and trouble. If not, provide your workers with the knowledge to complete their work safely. If they need to be protected with special clothing or equipment, give it to them and train them in the proper use and care of those items. Most vendors of safety equipment also offer training services available at little to no cost; just ask.



Proper loss prevention starts with your decision making.

Provide an open environment at work so your employees feel comfortable telling you when things aren't right. Listen and respond to their suggestions and be prepared to take the steps necessary to correct the conditions or practices that can lead to a loss. After all, it makes bottom line sense.

David Schmerer owns Productive Potential, providing profit/productivity solutions, workers compensation cost control, and OSHA compliance/safety program development. He can be reached at 268-6661 or productivepotential@prodigy.net.

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Delegation Requires Proper Balance of Freedom, Oversight

(Continued from page 4)

Pitfall #3- Lack of internal controls

Many small business owners entrust their entire bookkeeping operation to one employee. While it's important to have a bookkeeper, making that person solely responsible for all your financial transactions makes it less likely you will catch mistakes in financial statements or possibly a record of embezzlement.

The Solution: Protect your interests by staying involved. Thumb through checks as they come in, sign all checks, review monthly bank statements and occasionally fill in for your bookkeeper. The segregation of duties seems nearly impossible in a small business, but it's necessary for you to find a balance to keep things in check.

This effort can be as simple as having your bank statements sent directly to your CPA before passing them along to your bookkeeper. If your CPA doesn't scrutinize the statements, a quick review can sometimes uncover

unusual entries or trends. You should also obtain the necessary reports at month's end that tie all financial activity together for that time period. These reports let you see where you stand month to month and reveal any mistakes or financial misconduct.

Pitfall #4- Failure to delegate

Doing everything yourself can be a fatal error for any business. The timeliness and quality of your product suffers, and it becomes harder and harder to maintain a competitive edge in your market (not to mention creating extra stress and anxiety).

The Solution: Consider delegating aspects of the business such as scheduling, production or daily bookkeeping to staffers and outside vendors. This step frees you to concentrate on the big picture and gives you time to grow your business.

Pitfall #5- Failure to actively manage the business

Delegating is one thing, but giving away the house is another. Allowing

subordinates who don't have a real economic interest in the company to take charge may put your business at serious risk.

The Solution: Find a good balance between delegating duties and staying involved, to some degree, in all major areas of your business. Communicate with your staff and ask for regular updates. Establish methods to assess the quality of work that's being done for you. It's your job to provide vision for your company's future, but you don't have to know all the answers. Smart business owners rely on outside professionals, such as attorneys and accountants, to help make their businesses profitable and successful.

Eve E. Brown is a partner of Presser, Lahnen & Edelman, CPAs and has worked with the firm for more than 10 years. She specializes in statement preparation, retirement plan administration, and tax and financial planning. Her client base is largely comprised of small businesses based in the Jacksonville area. She can be reached at 296-9333 or ebrown@plecpa.com

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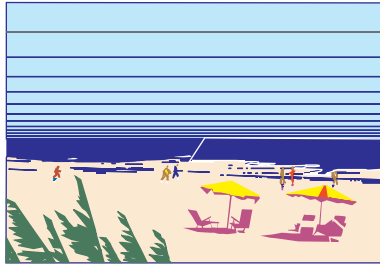


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Small Business ^ Net works!**

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Kiosk Moved To New Beaches Locale

The Small Business Resource Network recently announced a new location for its Beaches free-standing, touch-screen Business Information Kiosk. The kiosk is now located at the Jacksonville Chamber of Commerce Beaches Division office at 1101 Beach Blvd., Jacksonville Beach.



“We’re delighted we can assist the business community by making this resource available here at our office,” said Jill Sprowell, executive director, Jacksonville Chamber of Commerce, Beaches Division. “With the growing number of businesses at the Beaches, this is a much needed resource that can help both start-up and existing businesses

get the assistance they need. By touching the kiosk screen, people can easily get general business information *and* get connected to experienced service providers.”

SBRN which is funded by the City of Jacksonville, the University of North Florida Small Business Development Center, and individual business members, helps companies succeed by connecting them with interested, experienced service providers and government agencies. Other SBRN kiosk locations include:

- Occupational License Office, The Yates Building
231 E. Forsyth St.
- City Hall Annex (Old City Hall)
220 E. Bay St.
- UNF University Center
12000 Alumni Dr.
- Business Services Center
5923 Norwood Ave.

The Network’s professionals have expertise in accounting, law, banking, insurance and management consulting while agency members provide technical assistance in areas related to employees, financing and company management.

Since SBRN’s inception in 1992, its members have assisted more than 15,000 prospective and existing small business owners. For further information or to receive a free copy of the SBRN directory, call Nancy Boyle, 620-2489 or visit SBRN online, www.sbrn.org.

Welcome New Members!

- **Francine Smith**, National Health Administrators (Ins.)
- **Mel Johnson**, Lincoln Financial Advisors (Ins.)
- **Charles Young**, First National Bank (Bank)
- **Kevin Ellis**, GE Capital (Bank)

- **Jesse Pina**, Aces of Jacksonville, Inc. (Internet Cons.)
- **Linda Conover**, The Business Consultants (Mgt. Cons.)
- **Robert Head**, Head, Moss & Fulton, P.A. (Atty.)
- **Murray Beard**, Citrus Bank (Bank)
- **Peg Chassman**, Women Business Owners of NE Florida (Agency)
- **Mary Jarrett**, Coffman, Coleman, Andrews & Grogan, P.A. (Atty)
- **Scott Glazier**, Glazier & Glazier, P.A. (Atty.)

Congrats Corner

Congratulations to SBRN members who recently distinguished themselves:

Connie J. Byrd, CPA, is vice president of Small Business Group, Inc. and was recently named Accountant Advocate of the Year by the Small Business Administration. She’ll receive her award at the Small Business Awards Luncheon, May 25th.

Dave Schmerer, owner of Productive Potential, recently received a Letter of Commendation from Gov. Jeb Bush for coordinating JEA’s contractor safety orientation program. To date, more than 3700 orientations have been completed, and the award recognizes this achievement and JEA’s Contractor Safety Initiative, which educates contractors on the importance of safety on the job.

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Celebrate Small Business Week:

May 21-27

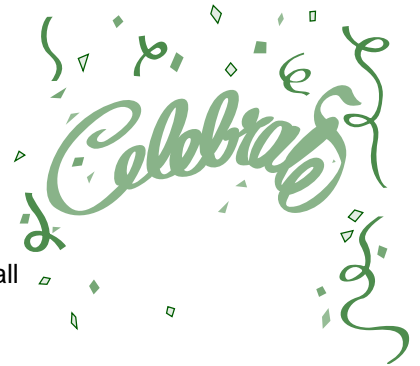
Tuesday, May 23

SBRN'S SMALL BUSINESS CONNECTIONS,
Solomon Lodge, Springfield

Thursday, May 25

SMALL BUSINESS SEMINARS AND AWARDS LUNCHEON,
UNF University Center

- | | | |
|----------------|---|---|
| 9-11 a.m. | – | E-commerce Workshops |
| 11 a.m.- Noon | – | CHASE (Chamber Alliance of Small Enterprises) Resource Fair |
| Noon-1:30 p.m. | – | Small Business Awards Luncheon |
| 1:30-2 p.m. | – | CHASE Resource Fair |



Other activities and events will also occur in Gainesville, Tallahassee and Orlando. For more information, call the SBA North Florida District Office, 443-1900, or visit www.sba.gov.



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