

Are You Prepared? CONTINUITY PLANNING TAKES BUSINESSES BY STORM

By Don Wicker • Disaster Recovery Consultant

Though hurricane season 2006 was non-eventful for Florida, 2007's is only months away. So imagine for a moment that a hurricane, or perhaps a fire, destroyed your business and everything you've worked so hard for is gone in a matter of hours. Now ask yourself: if this disaster were to happen, is my business really prepared to not only recover data and computers, but to manage people, facilities, customers, vendors and resources, and quickly return to normal operations?

In the wake of the 2004 and 2005 hurricane season for Florida and the devastating impact of Hurricane Katrina, more and more companies are making the paradigm shift from disaster recovery to business continuity. The difference between the two is while disaster recovery focuses on restoring infrastructure such as buildings or computer networks in the short term, business continuity planning (BCP) is about long-term sustainability of an organization after a disaster or disruption to your business.

BCP is not a new concept; large companies have dealt with this issue for years, and now, more than ever, small- to medium-sized business owners are realizing the importance of business continuity planning. The plan should not be considered as just a project, but a continuing program that includes the entire organization. It involves identifying risks and establishing processes to ensure the continuity of critical operations and services to customers in the event of a disaster.

BCP educators, which include Certified Business Continuity Planners (CBCP), use a structured methodology approach,

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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.**

Dear Readers:



It's amazing to consider that 2006 is quickly drawing to a close. The Small Business Resource Network (SBRN) experienced a year of growth and a year of significant change. SBRN has a new look, with our newly designed brand. These changes involved the expertise of the marketing group, the technical support of our consultants and of course, opinions of many members. Connect to Profit, our new positioning statement, has already served us well in 2006, with SBRN membership at an all-time high.

A portion of the growth in 2006 also included a grant to expand the SBRN to targeted areas throughout Florida — a tribute to the success of the organization in Jacksonville. This expansion has been started in three primary locations: Orlando, Tampa and Ft. Myers. The Small Business Development Centers in these areas are creating the infrastructure for the local SBRN and the parent organization in Jacksonville is assisting with organizational and technical support. It's indeed an exciting time for SBRN and for all the members who benefit from expanded referral opportunities.

Membership in SBRN is open to any accountant, attorney, banker, insurance agent, or business consultant who meets the minimum qualifications, and to a limited number of corporate members who serve small business. These professionals are available to assist small businesses as they encounter challenges in their day-to-day operations. Visit SBRN.org for more information on the organization, dates and times of meetings in your area, or contact information of a business professional.

The key to success in business is knowing where to find the information needed — not in being an expert in every field. Take advantage of the resources provided.

Success stories are sure to follow in 2007. Choose to be part of them. Have a great holiday season and a safe New Year.



Beth Barron

Beth Barron Hallock, 2006 SBRN President
 Sr. Business Development Manager
 UPS Capital Business Credit

Spotlight on...

The Habit of Expanding Your Business

By Nancy L. Cofield, CBI, BCI, M&AMI • Business Broker

When business owners talk about expanding their businesses, they may discuss having to “think outside the box” for ideas on how to grow. While the cliché may be timeworn, the concept isn’t.

In many cases, though, thinking outside the proverbial box is just a clutter of random ideas and talk. Nothing ever gets accomplished, and no plans get implemented. Instead of worrying about the outside of the box, it may be a better idea to think about making the box first, by focusing on one small thing that would increase business.

For example, you may feel strongly that mailing a circular to your existing customer base or to the immediate neighborhood would increase business, but you never have the time to do it. Why not plan on mailing 1,000 circulars to possible customers over the next thirty days? This means devoting about one hour, two or three times a week, to take this project to fruition.

Since it takes about 21 days to form a habit, several months should set the stage for the rest of the year. This time will also help determine whether a mailing will increase business. If it doesn’t, take the same time you did to work on the mailing and come up with another idea.

Also, don’t work on something you know you won’t finish, no matter how great the idea. For instance, calling all of your prospects may be a great idea, and one that may expand your business, but if you don’t like cold calling — forget it.



One plan at a time and staying focused on it is the key. While coming up with 20 ideas outside the box may be easier than staying focused, if the ideas never get implemented, what good are they? Work on what you consider to be the best, reasonable idea and spend the time to develop it. It’s the habit of spending one hour, two or three times a week that is critical.

Nancy Cofield is managing partner of Corporate Investment International of North Florida, Inc. She can be reached at (904) 996-1666 or via Email at ncofield@cii-ma.com.

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Just the (IRA) FAQs

By Christine B. Cooper, MS, CLTC • Insurance Consultant

Many small business owners stay so busy making sure their business is running at its full potential, they don't have time to think about retirement. Even if they had time, retirement is usually linked to getting older, which nobody wants to think about.

I've worked in the financial services industry for 13 years in the Tampa Bay area, specializing in retirement planning and retirement income distribution. As you can well imagine, a retirement specialist in Florida stays pretty busy, and I've answered my share of questions. I've compiled some of the more frequently asked questions about IRA's, along with the answers, in hopes of making it easier for you when you are ready to think about retirement:

• **What's the difference between an IRA and an annuity?**

The assets of an Individual Retirement Account (IRA) are held by a bank or other institution that acts as trustee or custodian, while an annuity is a contract purchased from an insurance company.

The annuity does not require a trustee or custodian because it is an insurance contract.

• **How much money can one put into an IRA each year?**

A taxpayer with earned income or alimony is permitted to contribute the lesser of the maximum annual contribution limit or 100% of his or her compensation, including alimony, into an IRA each year.

Annual contributions to all types of IRA plans require earned income on the part of at least one spouse.

The maximum annual contribution limit is \$4,000 for taxable years 2005-2007 and \$5,000 for 2008.

The maximum annual contribution limit for taxable years 2002-2005 was increased by \$500 for those who are 50 years of age before the close of the

year. This catch-up provision increases to \$1,000 for 2006-2010.

• **What if my spouse does not work?**

If a taxpayer files a joint return and his or her spouse has no earned income or alimony, then a total of the maximum annual contribution limit may be contributed into an IRA for the spouse as long as the combined income of both spouses each equal at least the amount of contribution.

• **How much of my IRA contribution is tax deductible?**

AGI PHASE-OUT RANGES FOR DEDUCTIBLE IRA		
Year	Joint Return	Single Head of Household
2005	\$70 - 80,000	\$50 - 60,000
2006	\$75 - 85,000	\$50 - 60,000
2007	\$80 - 100,000	\$50 - 60,000

In general, for individuals who are not active participants in an employer sponsored retirement plan, including Keogh plans or, if married, where neither spouse is an active retirement plan participant, the full IRA contribution may be tax deductible.

For taxpayers who do participate in a qualified retirement plan, no IRA

deduction will be allowed for those whose adjusted gross income (AGI) exceeds the amounts from the chart above.

• **If I receive a distribution from my employer's qualified plan, must I roll the money over to an IRA?**

Unless rolled over, distributions are included as taxable income (except for any portion treated as a return of non-deductible contributions) and may be subjected to withholding of 20% for federal taxes. Any such income is also subject to a 10% penalty tax unless the taxpayer has attained age 59½, is disabled or payment is made in substantially equal installments over the course of your life (or life expectancy) or the joint lives (or life expectancies) of the person and beneficiary.

• **What is the penalty for excess IRA contributions?**

If contributions (deductible and non-deductible) in excess of the amount allowed are made to an IRA, an excise tax equal to 6% of the excess contribution is imposed until the excess is withdrawn or used to reduce later years' contributions.

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CERTIFIED APPRAISALS, INSPECTIONS & INVENTORY

'Tis the Season... for Tangible Tax Indigestion

By Adam M. Robinson • CPA

Ah, it's fall — the season that gives way to cooler weather, and brings the anticipation of unending cuisine enjoyment from Thanksgiving through New Year's Day. What could possibly disrupt this most pleasant season? Only the tangible tax bill from your county tax collector. How rude! Where does this bill come from? Who decides how much our stuff is worth and what the tax rate is? It must be an unlawful invasion of our privacy to assess a tax on our "personal property..." But it's not: Florida statutes clearly state that the counties can do just that.

Actually, you're invited to participate every year (on April Fool's Day, no less) by filing a return with the property appraiser in every county in which you do business. Even more bizarre, you don't send any money with this tax return. You wait for another seven months for the revelation of how much you will share with your mayor, sheriff, school board and water management district. Well, you do get a little peek at the surprise in August, when your TRIM (Truth in Millage) notice arrives, estimating the value of your stuff according to the property appraiser and a couple of estimates of the tax rate the county is considering. So how does this little nugget of indigestion come to be the annoyance that it is each year?

Every business owner, landlord, lessor and owner of a mobile home is required to file the Form DR-405 by April 1st, disclosing the tangible personal property owned at the beginning of the year. Tangible property is defined as everything other than real estate that has value by itself, and is being used for business or income producing purposes. This definition includes supplies, but does not include software. You simply list the items, cost and date purchased of each item in fifteen categories with a summary of the totals by year. Then the magic computer in your property appraiser's office determines how much it's all worth, and sends you a proposed valuation with your TRIM notice. At that time you can protest the proposed tax rates at public hearings listed on the notice, or the valuation by scheduling a meeting with the property board to explain why you have a difference of opinion.



The valuation protest process is not unreasonable, if you have facts to support your case. They will get back to you relatively quickly on whose valuation is correct. Once all of that dispute is settled, the property rolls are certified to the Department of Revenue in late October, along with the real estate tax assessed values, and bills start rolling off of the computer to be delivered to a mailbox near you. You can choose to pay the bill in November, with a four percent discount, or pass on one percent per month until the end of March, when you owe the full amount. Thereafter, the interest assessment is added each month until the summer, at which time the tax collector has a process of getting others to pay your delinquent taxes for you, by purchasing a tax certificate. This gives him the right to collect further interest until you pay your late tax bill, or to seize your property to recover their advance toward the payment of these taxes.

The assessment is based on two fundamental sources. The first is your report of the tangible assets that you own. From that report, the property appraiser applies a depreciation factor, based on the type of equipment, improvements or supplies that you have, to estimate its current value. There is no formal appraisal done on an item by item basis, since there simply isn't enough staff to perform such a task for every business. The second source of assessment is based on the onsite visit of the appraisers during each year to

make sure you have reported all of the stuff that you use in your business. This accountability is required by the Florida Department of Revenue to ensure that every business reports its assets accurately.

Once the property appraiser has the list of assets, their age and cost, they apply a standard depreciation factor on each class of assets, based on their assumed useful lives. That life can range from two years for such items as video tapes, games and DVD's to fifty years for certain utility equipment. From that table a factor is developed to determine the current remaining value of your tangible assets and it isn't a straight line calculation. Certainly if you are still using an item, it has value, so the minimum value cannot be zero and in most cases it's 20% of the original cost. All of this is done to determine the assessed value of your tangible assets.

The tax, or millage, rate is determined by all of the boards and councils of the taxing districts authorized to use ad valorem taxes to fund their county, districts or authorities. This rate will always be the same millage rate used to assess real estate taxes. The product of the assessed value determined by the property appraiser and the millage rate set by the governing authorities is the resulting tax. Your part of the process is to pay the tax no later than the next March 31st.

Most will agree that the tangible personal property tax isn't a popular tax to report or pay, but it's a long established source of revenue for local government, so do your best to report it accurately and timely to minimize your tax and potential penalties.

Adam Robinson is a partner in Patrick & Robinson, CPAs. He can be reached at (904)396-5400 or adam@CPAsite.com.

Tangible Tax Tid-Bits:

- Vehicles that have a license tag are not subject to the tangible tax, but attachments to the vehicle, such as a tool box or wrecker, are taxable.
- Improvements to leased property are considered taxable tangible property due from the tenant. However, you should monitor this area, as the real estate assessors and tangible assessors may inadvertently include this property for both the landlord and tenant.
- Mobile homes are considered tangible property unless the land owner applies for a Real Property (RP) sticker from the tax collector or the homeowner applies for a mobile home sticker, which serves as their ad valorem tax. However, any attachments, such as a porch, skirt or overhang, are still considered taxable personal property.
- Landlords of real property are to report the tangible property that may furnish their property, such as furniture, appliances, etc.
- If you don't file a DR-405 and have never been assessed tax, that does not make you exempt. The tax is still due and can be assessed with up to a 25% penalty for all prior years. If you have filed in the past, but missed a current year, the property appraiser will be kind enough to estimate your return, including the penalty, until you can get it filed.
- Both the lessor and lessee are to report leased property, but the tax is assessed to the owner. Your lease contract may call for a reimbursement by the lessee, but that does not affect the assessment to the owner.
- When tangible property is sold, the tax liability follows the property, but the property appraiser will not know about the sale unless the property is reported as sold on the DR-405 for the year of the sale. Generally, the valuation will also follow, if it's clear what property was transferred.
- When tangible property is retired, it will continue to be taxed unless those retirements are reported on your next return.
- Exempt entities, such as Section 501c3 organizations, can apply for an exemption for the personal property tax just like they do for real property taxes, but it does not exempt them from filing the DR-405 each year.
- In most cases, a separate return must be filed for each location where you hold personal property, but if you have a long list of items in multiple locations, such as vending machines or LP gas tanks, there are rules for grouping those types of items on one return.

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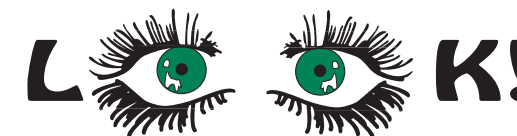
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Are You Prepared?

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based on industry standards, to ensure you have covered the important topics.

The BCP cycle involves the following phases:

- Identify relevant risks and rate them according to their probability of occurrence and potential effect.
- Determine the company's mission-critical business functions and recovery-time objectives.
- Craft integrated, companywide strategies and action plans to ensure continuation of mission-critical business functions.
- Provide ongoing evaluation, testing and updating of those plans to ensure they keep pace with the risks prevalent in the business environment and changes within the company.

How much risk are you willing to take in the event of a disaster to recover your business within a reasonable time? SBA studies of companies experiencing a catastrophic interruption to business reveal these staggering results:

- 24% never re-opened their doors
- 42% went out of business within one year
- 72% went out of business within two years
- Hardware or system failure accounts for 78% of all data loss.

There is an abundance of FREE information available on BCP. A popular online search engine displays more than 12 million matches on the subject. The subject

Just the (IRA) FAQs

CONTINUED FROM PAGE 3

- **When must I begin withdrawals from my IRA?**
Withdrawals from an IRA must begin before April 1, of the year after the owner attains age 70½. These minimum withdrawal rules do not apply to Roth IRAs. The rules relating to how distributions may be structured are substantially the same as the rules for qualified plans except the qualified joint and survivor annuity provisions do not qualify.

If you haven't started planning for your retirement, don't let the thoughts of getting older, or being too busy keep you from getting started. After all, retirement is not a bad word and with the proper planning, you may even look forward to it.

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matter seems overwhelming and time-consuming to learn and implement properly, so most business owners neglect to give BCP its due diligence. But, depending on the size of your business, the steps may be easier than you think. Regardless of your size, you must at least think about the proper questions to be asked (and their answers) to meet your unique business needs.

Solutions begin with education. Seek outside qualified professional assistance to guide you and provide expertise to apply best practices to meet your business continuity planning and recovery needs. There are low cost approaches, such as attending a professional workshop conducted by certified instructors. Investing a day to understand better BCP, and how it relates to your business, may be the most important investment in your future.

And if you already have a plan, have you "tested" it? If so, what has changed since your BCP was last updated? If you don't have a plan, don't add to the statistics above by playing the odds you won't be impacted. Bad things do happen to good people, and while there's no guarantee you will be impacted by a disaster, putting a plan in place would provide invaluable peace of mind ...just in case.

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The average life span in America is 78. The Income Tax recently turned 93. Time to call the undertaker?

October was the 93rd birthday of the federal income tax, but its days as we know it may be numbered: the President's tax commission reported its findings last year and *The Fair Tax* was on the bestsellers list for weeks. Now, both political parties are calling for tax reform.

SHOULD THE INCOME TAX LIVE ON?

Send your thoughts to us: GraveDigger@CPAsite.com

We'll report our findings in the future. And since the old codger isn't dead yet, *now's the time* to call us so your tax bill doesn't kill you next spring. Until then, try to make it a belated happy birthday!

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