



SPECIAL POINTS OF INTEREST:

- Hiring your children may save you taxes.
- Exceptions apply for deducting meal expenses.
- Excuses don't lead to wealth.

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Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

VOLUME 2, ISSUE 7

AUGUST 2010

Hiring Your Children for the Summer The Job of Last Resort or Just Good Tax Planning?

When times were better, many students looking for summer employment and graduates looking for permanent jobs thought of the family business only as a last resort. In today's economy, however, the family business may be the only place for some kids to find work. But all is not lost. Employing your child may save you some taxes regardless of how your business is organized.

Income Shifting. Regardless of how a business is organized, the owners may be able to turn some of their higher-taxed income into tax-free or low-taxed income by employing their children. In addition to providing valuable work experience for your offspring, this arrangement can offer significant tax savings to the business. As long as the work your children do is legitimate and you follow all the rules and they receive reasonable wages, you can deduct their wages as a business expense and shift the money to your child in a (presumably) lower tax bracket.

Example: You are in the 33% tax bracket and you hire your son, John, to help with your business full time during the summer and part-time into the fall. John earns \$5,700 during the year and doesn't work elsewhere during the year. If that \$5,700 would have otherwise gone into your pocket, then you saved \$1,881 (33% of \$5,700) in income taxes at no cost to your son, who can use his \$5,700 standard deduction to for 2010 to completely shelter his earnings.

The total taxes for your family are cut even if John's earnings exceed the standard deduction amount. That's because the unsheltered earnings will be taxed to him beginning at the 10% rate instead of being taxed at your higher rate.

As an added bonus, if your business is an unincorporated sole proprietorship or a partnership consisting of only you and your spouse and your son or daughter is under age 18, you don't have to pay Social Security or Medicare taxes on the wages you pay.

Example: Take the information from the example above and let's say you usually take home \$120,000 from your sole proprietorship. Now, in addition to the income tax savings above, you save \$153 (the 2.9% HI portion of the \$5,700) because your self-employment income is reduced and John saves \$436 (.0765 x \$5,700) in employee FICA just because he worked for you instead of someone else.

Continued on page 2

The Secret to Deducting 100% of Your Business Meals

According to IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses (Revised Jan 10, 2010), you can "generally deduct 50% of your business-related meals and entertainment expenses." It goes on to say, "the 50% limit applies to employees or their employers, and to self-employed persons (including independent contractors) or their clients, depending on whether the expenses are reimbursed." Figure A (on page 2) diagrams this in flow chart form. Note that the first block in figure A says "If self-employed, count only reimbursements...not included on Form 1099 MISC." If they are included, therefore, the answer to the question is "No" and the expenses are limited to the 50% deduction.

There are, however, certain exceptions to the 50% limit. For the exception for self-employed persons to apply all three of the following must occur:

- 1) You must incur the expenses as an independent contractor,
- 2) Your customer or client reimburses you or gives you an allowance for these expenses in connection with services you perform,
- 3) You provide adequate record of these expenses to your customer or client.

Here's the sticking point, and the point at which some may say that the government sets the per diem rates and therefore they deem it necessary for meals and therefore you are entitled to write off 100% of the expense.

Continued on page 2

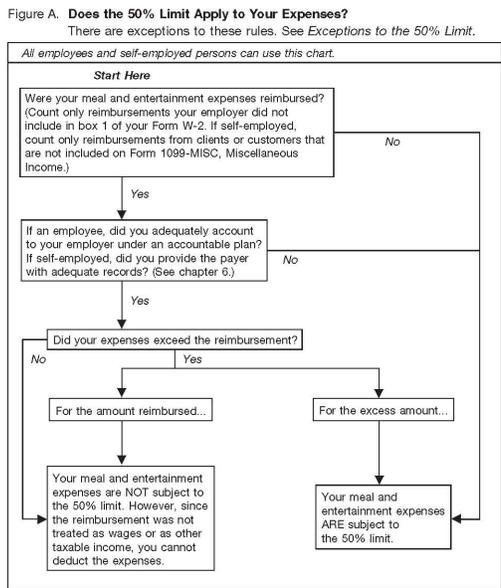
The Secret to Deducting 100% of Your Business Meals—*continued from page 1*

However they would be in error.

What the IRS requires is adequate records and barring an employer-employee relationship and an accountable plan, adequate records means documentary evidence (read receipts).

If you are an independent contractor and not an employee, you cannot have an accountable plan.

If, however, you submit an accounting to your client/customer, i.e., provide them with the receipts in order to get reimbursed or to collect the per diem allowance, THEN you can deduct 100% of the meals expense if it is included on Form 1099 MISC, but the more accurate reporting in that case would be for your client/customer not to report it on Form 1099 MISC at all.—In that case the client/customer's deduction is limited to 50%.



Without adequate reporting your deduction is limited to 50% of your actual or per diem meals expense. ❁

Hiring Your Children for the Summer—*continued from page 1*

Since the income earned by John is earned income it isn't subject to the Kiddie Tax. Just be sure to file W-2 forms and other necessary tax forms for John.

Caution. The Hire Incentives to Restore Employment Act (HIRE Act) carried two valuable incentives for employers that boost payroll this year: a payroll tax holiday for employers that hire unemployed workers and an up-to-\$1,000 tax credit for keeping those new hires on the payroll for at least one year. Neither of these tax breaks is available for hiring your child. ❁

If and only to the extent that this publication contains contributions from tax professionals who are subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, the publisher, on behalf, of those contributors, hereby states that any U.S. federal tax advice that is contained in such contributions was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purposes.

Buster's Corner

It's that time of year... tax season is over and Richard starts traveling. He's been on the go a lot lately. Already he's been to Florida, Texas and a couple of cruises to who knows where. I hear families everywhere are making plans for their summer vacations.

But does Buster get to go on vacation? Does Buster get to go to the beach? Does Buster get to go anywhere?

Wait, let me guess... no way!

Buster doesn't even get to go to a dog park where I could run like the wind, chase birds, and smell other dogs. I've heard of dog parks, but I've never seen one. I have been up to Cottage Hill Park but Richard keeps me on the leash so how much fun is that? What I really want to do is go to the beach. I love the beach! Run in the sand, smell the crab holes, roll in the dead fish. A dog couldn't ask for a better day.

But they don't let dogs on the beach do they? It's forbidden. I mean, what's up with that? "They" want to single out dogs and cats to keep off the beach, like they're afraid we might do something to spoil their beautiful, pristine beaches. But any bird can land anywhere they want on that beach... the water is full of creatures that wash up all the time... and don't get me started on those little tar balls... Can you even say BP without gagging?

No, we're not allowed on the beach... we might pee or even worse. Never mind that a lot of those people on the beach are putting out their cigarettes in the sand or drinking beer all afternoon and peeing right there in those low slung chairs... why do you think they were invented anyway? To keep a human from troubling themselves to get up and walk the fifteen feet to the water in order to relieve themselves.

But don't let them catch you walking ME on the beach. Until next time,

Your Canine Friend,

Buster



Pressure-Prosperity Link

by: Dan S. Kennedy

In the past couple years, most business owners have had to battle an unfriendly economy, and must now adjust to an evolving “New Economy.” This is harder for some than others, but the path to success is the same for all: not permitting *any* conditions or circumstances to dictate results. Not to embrace *any* excuses for not doing well. Excuses sabotage creativity and initiative.

As an entrepreneur, you are going to screw up. And you are going to have bad things happen on your watch that you actually had no hand in, or feel you couldn't possibly prevent. That's a given. What's important to understand is that the world watches and responds to the way you handle these situations. If you blame others, blame circumstances, offer up excuses, you telegraph weakness. If you step up, accept responsibility, offer no excuses, and roll up your sleeves and work, you telegraph strength and command respect. With excuse-making, you may obtain some sympathy and pity but at the price of respect. And wealth is never transferred based on pity. It moves based on respect. Wealth attraction power has a great deal to do with self-respect and respect of others, and that has a great deal to do with your acceptance, even your embrace, of responsibility.

Bill Rancic spoke at one of our Glazer-Kennedy Insider's Circle™ Member conferences. You know Bill because he was the first season winner on Donald Trump's TV show *The Apprentice*. Bill was a very successful entrepreneur pre-Trump, and had many valuable insights and experiences to share from his other businesses as well as his year with The Donald. One such story was about one of his earliest businesses, as a kid, cleaning and readying boats in a resort

area for the seasonal arrival of their owners. Things went horribly awry, and, as he said, most kids would have cut and run or blamed the circumstances involved. He did not. He took an arguably unjustified 100% of the responsibility for himself, with the direct result of impressing and keeping all his customers, but also the more important indirect result of strengthening his overall wealth attraction power. It paid off in the short-term in customers retained, renewed the next season, and in referrals. It paid off even bigger in the long-term in strengthening Bill's overall wealth attraction power.

Losers are wealthy with excuses. Moth-eaten, empty wallets, heads full of excuses. This is not an enviable wealth. An abundance of excuses guarantees a paucity of money. If excuses roll willingly from a person's tongue, it's certain money does not flow easily into his pockets. I've often said I can estimate a person's bank balance if he'll tell me about the books he reads and the people he hangs out with. But it's even easier to accurately estimate his bank balance if I hear the excuses he makes. The habit of excuse making is the worst of all habits.

If you remember the wonderful Pink Panther movies with Peter Sellers, you'll remember his Asian houseboy, who he paid to attack him without warning, to keep him on his toes. I've been told by good authority that the boxer Mike Tyson once hired a man to walk behind him saying “You the man, Mike, you the man.” (There's a clue, how Tyson could zip through a hundred million dollars and be broke.) A fine investment would be hiring a big, strong guy to walk around with you for a month carrying a stout baseball bat and every time you voiced an excuse, hauling off and knocking you into next week. I imagine you'll be unwilling to make that investments, so, instead, you might try keeping a little notebook in your pocket, to keep a diary of every excuse you catch yourself making for the next month, as well as every excuse you get from anyone else. Awareness automatically improves performance, so just the act of keeping the diary, and stopping whatever you're doing each time you proffer an excuse will have positive impact. Getting whacked silly by the strong man with the Louisville

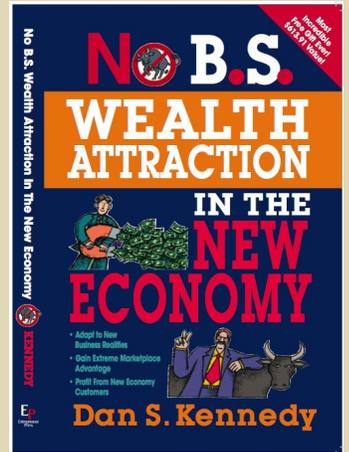
Slugger would have more impact but admittedly the side effect are problematic.

If you recall the cartoon character “Popeye,” you'll remember that he pumped up his strength and power

when needed by gulping down a can or two of spinach. I think of that as a visualization analogy; for the entrepreneur, responsibility is spinach. If you want to turn on wealth attraction power, gulp down some more.

“Be who you are and say what you feel, because those who matter don't mind, and those that don't matter, don't matter.”

— Theodor Seuss Geisel, aka Dr. Seuss, American Author



This article excerpted from the new book: NO B.S. WEALTH ATTRACTION IN THE NEW ECONOMY by Dan S. Kennedy, available at amazon.com, bn.com and fine booksellers. Information on the entire No B.S. book series at www.NoBSBooks.com Article © 2010-Dan Kennedy, Rights Reserved.

The fifth annual Sales Tax Holiday is **August 6-August 8, 2010.** There are some restrictions to what you can purchase tax free. If you would like further information, feel free to give us a call.

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Happy Happiness Happens Month!! 

Make Them Feel Special

Songwriter and motivational speaker Patrick Henry started out in the music business in Nashville a traditional way – working as a waiter in a restaurant called Green Hills Grille. The restaurant had a regular customer, an elderly woman named Mrs. Stevens.

Mrs. Stevens came in every day at the same time, sat at the same table, and ordered the

same thing: a hot fudge brownie, a dish of vanilla ice cream, and a cup of coffee. All the servers knew what she wanted and usually had it ready as she sat down.

One day Henry was serving her table, and as she was eating wandered over and commented, "That must be a pretty good brownie for you to keep coming in here day after day."

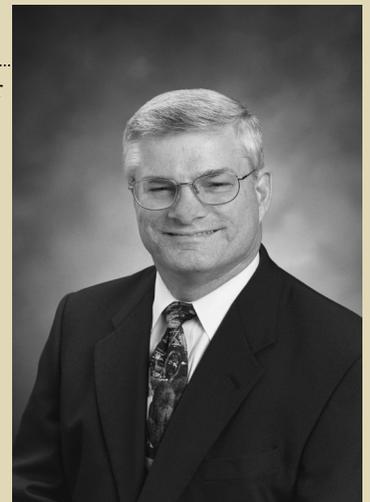
Mrs. Stevens put down her fork and said, "Patrick this is a great brownie, but I don't come here for the food. I'm here because of you, and Gail, and Brigid, and Jed, and ..." She knew the names of every server in the place, and as she finished she got misty-eyed. "You make me feel so special."

Looking for Someone You Can Rely On?

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below you'll find a list of areas in which we know very credible, ethical and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

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| ⇒ Residential Organizer | ⇒ Florist | ⇒ Financial Advisor |
| ⇒ Auto/ Home / Life Insurance | ⇒ Bathroom Remodeler | ⇒ Mortgage Broker |
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| ⇒ Veterinarian | ⇒ Home Insulation | ⇒ Massage Therapist |



Richard A. Lindsey, CPA