

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Call in times
- Referrals
- Thank You!
- Networking
- ... and much more!

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Taxing Times

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

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TAXING FANTASY SPORTS

The enormous growth of participation in online fantasy sports leagues in the past decade has participants asking how they should report income and expenses. Last year, approximately 42 million people in the United States and Canada participated in the leagues, which include fantasy football, baseball, hockey, and basketball. Participants create teams using real players, and the games are played using those players actual performance in games.

Fantasy sports leagues operate under the Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006. This law sets the criteria that must be met for an online game to *not* be illegal gambling or game of chance, but instead to be considered a game of skill. These criteria are:

1. All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest. The value of prizes or awards is not determined by the number of participants or the amount of any fees those participants paid;
2. All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals (athletes in the case of sports events) in multiple real world sporting or other events; and
3. No winning outcome may be based (a) on the score, point spread, or any performance or performances of any single real world team or any combination of such teams; or (b) solely on any single performance of an individual athlete in any single real world sporting or other event.

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Tax Refunds May Be Hazardous for Your Health

Does that tax refund burn a hole in your pocket every year? Is it spent before you ever get it? The average tax refund for the American family is a little less than \$3,000. However, consumer behavior studies show that tax refunds could be contributing to your bad finances.

Studies have shown that people spend money at the rate in which they earn it; therefore tax refunds are usually spent at a faster rate.

Many people use these refunds for desired wants, car repairs, vacations, and so on. I know I'm guilty of falling into the urge of the splurge and spending my refund before giving it some serious thought. After spending the refund on that luxury vacation or the newest electronic, you sit back and a week later, reality sets in...

You're back at work or the newness of your latest electronic device has worn off. Or you increase your debt by purchasing that beloved item because you *just can't wait*. However, when your refund comes you can't pay off the debt because now you "have" to use that money on something else.

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Those Who Spray and Pray Never Develop Relationships

There seem to be certain misconceptions about the networking process. Some would-be networkers use a spray and pray approach. They show up at a networking event, like a chamber function or a BNI meeting, talk to as many people they can, shove their business card in the prospect's hand, and move on to the next one, never pausing long enough to actually learn anything about the person they've just met.

That unlucky prospect has likely dismissed that "networker" as someone only interested in themselves and are therefore unlikely to do business together.

Others feel networking is just a waste of time and don't get out there at all. Perhaps they feel: "If I do a good job for people, they will naturally tell others about me." If this was true you can only imagine the amount of business referrals you would have. What is true is that the only way you're going to really kick in word-of-mouth referral marketing is to far exceed your customers' expectations. In the book, *Masters of Networking*, Ron Sukenick calls it going into legendary status, with the people you do business with. Remember the story where a lady returns a set of automobile tires to the famed Nordstrom department store and requests a full refund? Within minutes, the cashier returns her money, thanks her for the visit, and the customer walks out satisfied. If you're asking what's so legendary about that, the answer is Nordstrom doesn't sell tires and never has. You see the point is, if you want people to talk about you, you have to far exceed their expectations. I'm sure you'll agree that Nordstrom did just that.

So, let's also address the myth that networking just takes too much time and energy. If you include it as a part of your marketing strategy, it isn't. Networking is not a place you're going to, but a place you're coming from. Sukenick describes it like this: Instead of walking up to the fireplace and getting warm, think of yourself as coming from being in the fire. By doing this, you'll bring your whole self to the meeting and people will be impressed with your presence. Don't confuse it with something you have to do as drudgery or something you must spend a lot of time preparing for. Just have it be a part of everything you already do. Remember, it's a process for developing and maintaining relationships and it's a passion that one develops from the work they do.

So, don't just think of networking as something you do sometimes and some places, but instead as something that you can do with ease all the time and everywhere.

If you're interested in developing relationships with referral sources as opposed to just handing out business cards, come, be my guest at a BNI meeting. We meet every Wednesday morning at the Church of the Redeemer, located at 1100 Cody Road S. in Mobile, at 7:30 AM. Give me a heads up you plan to come and I guarantee a warm welcome. *

MARCH MadNeSS

Green is the color synonymous with St. Patrick's Day. People wear all manner of green clothing, drink green beer, and, in various cities, including Chicago, the rivers are infused with bright emerald green dye. However, this color, which is also associated with Ireland for many people, has not always been linked to the Emerald Isle or St. Patty's Day. For centuries, the symbolic color of both was blue. Green was only adopted when various political groups started to wear it during the 19th century.



A physician client of mine told this story about her then 4-year old daughter:

On the way to preschool, the doctor had left her stethoscope on the rear car seat and her little girl picked it up and began playing with it.

"Be still my heart," thought my client, "my daughter wants to follow in my footsteps!"

Then the child spoke into the instrument: "Welcome to McDonald's. May I take your order?"

Tax Refunds May Be Hazardous for Your Health — *continued from page 1*

I have three better ways to use your refund:

- Pay down debt. Just think of all the money you could possibly save if it wasn't going to those unnecessary high interest rate fees. Being debt free is a much better feeling than anything you could possibly get from that splurge.
- People are starting to live longer these days, so what's a better way to invest your refund than to put it into an individual retirement account (IRA)? I came across this wonderful example on MSN Money that illustrates the possible savings and return on investment:
 "Putting that amount aside in an IRA would give you an immediate deduction that could reclaim as much as \$1,000 in tax savings—and you still would have your original \$3,000. If you put it into a dividend fund or other investment that pays just 5%, you will have a total of \$6,000 in 14 years and \$12,000 in just under 30 years."
- The last way to better use your refund money is to fund your emergency savings account. The future is always unknown, so an emergency savings fund is a grand way to utilize your tax refund. Experts suggest that you have enough in your emergency savings account to pay six months worth of expenses.

Let's be different from all the consumer behavioral studies and think before we randomly spend our tax refunds. Let's reflect on the value of our money and put it to better use than the urge to spend it as soon as we get it.

Now, I know that many of your friends, neighbors and even your families might poo-poo these suggestions, but, as Dave Ramsey says, "If you will live like no one else, later you can live like no one else." *

TAXING FANTASY SPORTS — *continued from page 1*

To be consistent with the games' being defined as *not* gambling, the fantasy sports league operators based in the United States report participants' prize money as income using Form 1099-MISC, *Miscellaneous Income*, typically in box 3-Other Income. They do not report using Form W2-G, *Certain Gambling Winnings*.



The participant's net winnings should be reported as "Other Income." The amount reported on the Form 1040 will most likely have to be reconciled with the information reported on the Form 1099-MISC. Losses that the fantasy sports leagues reported to the player would be reported on Schedule A, *Itemized Deductions*, as miscellaneous deductions, subject to the 2% of adjusted gross income floor. *

THANK YOU! THANK YOU!

Thanks to YOU, the word is spreading. Thanks to my clients and friends who graciously referred me to their friends, neighbors, customers and relatives last month! I enjoy building my practice based on the positive comments and referrals from people just like you. I couldn't do it without you!

- Bill Hamilton - Steve Rockwell - Kathy Scott - Nancy Sanchez - Mike Waldo -
 - Dwight Ward - Jim Byrd - Meaghan Chitwood - Lisa Diaz - Danielle Genry -

Are You Harboring Profit Killers?

Do you have unexpected areas of overspending in your small business?

First of all: Why would any expense be unexpected? I mean, as a small business owner, are you sure you're getting accurate financial statements every month? Do you understand what those statements say, or did you just use the closest QuickBooks chart of accounts template? I don't mean to be harsh, but if you're overspending, it's a sign that you're not on top of your game.

That said: there are two key areas in almost any business where overlooked costs can spiral out of control. What's sinister about them is that they may appear benign on your income statement—just the cost of doing business. It's not until you compare the numbers against last quarter or last year that red flags pop up.

Nearly every business sells something or provides a service to customers/clients/patients (or both). The direct costs associated with this activity should be recorded in the cost of goods sold or cost of services provided section of your income statement. However, I find that with many small businesses it's quite common for these costs to end up under operating expenses, where it is easily overlooked.

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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.



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This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 3/23/15 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070. Not a member yet? Find out how to become one today!

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.

- ◆ Cultured Marble
- ◆ Mortgage Lender
- ◆ Realtor
- ◆ Chiropractor
- ◆ Attorney
- ◆ Financial Advisor
- ◆ Banker
- ◆ Remodeler
- ◆ Funeral Service Counselor
- ◆ Business Coach
- ◆ Civil Engineer
- ◆ Printer
- ◆ Window Treatments
- ◆ IT Specialist
- ◆ Electrician
- ◆ Pest Control
- ◆ Identity Theft Protection
- ◆ Pressure Washing

Are You Harboring Profit Killers?

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When I started working with a securities systems company, all the payroll costs were lumped together under operating expenses. Because it was easier. But in reality, he had no idea how much his payroll was affecting his profitability and his long-term success. Unless all these direct costs are correctly split out into the appropriate categories, there is no way to accurately calculate the gross margin on your products or services. At worst, you could be in for a nasty surprise—you could actually be losing money on each sale or job.

If this seems simple, it is. I can tell you from experience that many entrepreneurs inadvertently overspend in the cost of goods category in the name of growth.

Businesses have a laundry list of insurance coverages: workers' compensation, unemployment, general liability, general property and casualty, vehicle, health and other employee benefits. It's a lot of paperwork and a lot of hassle—so much so that many entrepreneurs are reluctant to change their routines, despite high costs.

When was the last time you shopped around for insurance plans? I'm not referring to the options your insurance agent/broker presents to you; rather, to shopping among several agents/brokers to see who comes up with the best deal for your business.

While you're at it, ask each candidate to evaluate your current program for limits that are too high or too low and for areas in which coverage may be lacking entirely. Experts tell me, if it's been a few years since you went through this process, you should be able to save at least 20% on your insurance premiums.
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