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CERTIFIED PUBLIC ACCOUNTANTS
"You see the numbers, we look for the opportunities."

Taxing Times

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

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SPECIAL POINTS OF INTEREST:

- Where are you positioned on the food chain?
- Tax breaks and extenders
- Buster's latest
- Referrals
- Call– in times
- and more...

INSIDE THIS ISSUE:

Why Struggle With the Walmart® Effect?

Many years ago, Folgers® coffee scored big with a series of ads taking the viewer inside various gourmet restaurants while an announcer whispered "we're here at such-and-such snooty restaurant, where we've secretly replaced the fine coffee they usually serve with Folgers® crystals. Let's see if anyone can tell the difference." And they interviewed diners, who expressed shock, and I'm sure no small amount of embarrassment, when they discovered how much they liked the cheap Folgers® Instant instead of the "gourmet" brand they expected. (This was way before Starbucks® elevated our palates and made us all coffee connoisseurs.)

A few years ago, Walmart® ~~shamelessly ripped off~~ paid homage to Folgers® with their own ad promoting-believe it or not-Walmart® steaks. "We're here at the famous Golden Ox Steakhouse in Kansas City, where we switched their steak, with Walmart's choice premium steak…"

Now, I can't vouch for the quality of Walmart's meats, but let me make two points about Walmart® steaks, with lessons for your own business.

<u>There is a placebo effect.</u> Diners who gear up for a big night out at a fine steakhouse are primed for a great meal. They expect choice ingredients everywhere, and select service from a well-trained staff. And they'll probably be pretty happy, even if the experience isn't "objectively" all that great.

This effect has been proven time and time again. Researchers at Stanford University used MRIs to study Caltech grad students' brains as they swallowed five red wines priced at $5, $10, $35, $45, and $90 per bottle. They found that as the price of the wine rose, so did the activity in the subjects' medial orbitofrontal cortices. (Apparently this is the part of the brain that experiences pleasure.) The "catch," of course, is that the subjects didn't drink five different wines-they drank three. The wine presented as costing $45 per bottle was really the one costing $5-and the wine presented as costing $90 per bottle really cost just $10.

The placebo effect won't work just anywhere. Diners have to really expect a great meal for it to work. Nobody who shows up at the squat-and-gobble ***Continued on page 2 ➦***

Congress Takes New Tack on Extenders

Like Bama's win over Clemson – you expected it to happen, but they waited until the last minute to make it happen - Congress has once again extended the "extenders"- a varied assortment of more than 50 individual and business tax deductions, tax credits, and other tax saving laws which have been on the books for years, but which technically are temporary because they have a specific end date. This package of tax breaks has repeatedly been temporarily extended for short periods of time (e.g., one or two years), which is why they are referred to as "extenders."

Most of the tax breaks expired at the end of 2014. Now, in legislation passed just before the Congressional Christmas break, the extenders have been revived and extended once again, but this time Congress has taken a new tack. Instead of just rolling the package of provisions over for a year or two, it actually made some of the provisions permanent and extended the remaining provisions for either two or five years, while making significant modifications to several of the provisions.

Key tax breaks for individuals that were made permanent by the new law include:

- ✴ Tax credits for low to middle income earners that were originally enacted as part of the 2009 stimulus package and were slated to expire at the end of 2017: (1) the American Opportunity Tax Credit, which provides up to $2,500 in partially refundable ***Continued on page 3 ➦***

BUSTER'S CORNER

Well, I checked into that Super Bowl thing, and wouldn't you know it…it has nothing to do with kibble.

According to the television, it has something to do with football. What's up with that? So, naturally I did a little more digging and found out that the NFL playoffs are between a cat and a bird and a horse and a person who's loyal to their country. I don't know how the canines keep missing out. Oh, I remember, there aren't any canine mascots. NFL mascots are a bunch of birds, cats, horses, bulls and even a bear. The closest is the Cleveland Browns whose team mascot, Swagger, is a bull mastiff. But since the Browns share the distinction of the worst record in football this year, we dogs can't hope for much notoriety there.

So, maybe it's time to look forward to Mardi Gras.

My home town of Mobile has the oldest Mardi Gras celebration, of course, but New Orleans sure does know how to throw a party, don't they?

Richard said he recently heard a New York based flight attendant butcher her attempt at "Nawlins," as some of you people refer to it. My sister, Missy, just calls it "Woof woof… woof woof." (Don't you just love her Mississippi accent?)

Mardi Gras means Fat Tuesday, and like Christmas, comes but once a year. However, Fat Tuesday comes more often at our house and is usually expressed as "Hush Missy, you've already eaten" Tuesday. I can't help what she does. Put food within reach of her short Dachshund legs and she'll go after it. Not me. I'm a lean, mean sleepin' machine.

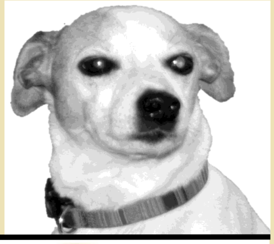
Not what you expected me to say I know, but hey, I'll occasionally admit it. I'm gettin' older. I hear the bed calling my name a lot more than the back yard these days.

I understand Mardi Gras is one last blow-out for some of you people before the season of Lent. You plan to fast or give up something in order to show penitence.

I don't have to worry about that though. Quite a while back I had a shark recommend I obtain a signed affidavit every time Richard or Carita says, "Good boy, Buster."

Still, IF I did give up something for Lent, I might forego one of my favorite TV shows such as "Paw Stars," or "Once Upon a Sofa," or maybe I'd quit crankin' up the Jimmy Buffet tunes whenever the dog whisperer comes around.

Until next time,
Your canine friend,
B



Why Struggle with the Walmart Effect?

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all you can eat buffet expects a world-class steak. They are just happy they don't see marks from where the jockey was hitting it.

<u>There is also a Walmart® effect.</u> I understand Walmart® steaks are actually perfectly fine beef. They're USDA "choice," which is the same cut you find it mid-priced steakhouses like Outback® or Longhorn®. (The top 3% of beef, with the most marbling is graded "prime." That's the stuff you'll find "dry-aged" at elite steakhouses, often drenched with butter, and sometimes served with a side of Lipitor®. The next 55%, with "slightly abundant marbling," is graded "choice." That's the stuff you grill at home, and it's really pretty good. Finally, there's USDA "select," which usually winds up ground into hamburgers.)

The problem, of course, is that Walmart® has positioned itself as being the home of discount prices (cheap). And nobody associates "cheap" with "good." Nobody expects good steaks at Walmart®. So how does Walmart® get around our prejudice?

Well, here they resort to a classic "dramatic demonstration." Showing happy diners enjoying Walmart® steaks is a lot like H&R Block® ads showing a stage full of happy clients stepping up to claim surprise refunds. It's just like "Vince from ShamWow®" telling the camera guy to follow him as his miracle chamois soaks up a spill.

The downside of this approach is that while Walmart® tells us their steaks are "surprisingly good," at least some of us still focus on the "surprise" more than the "good."

To sum up: 1) the "placebo effect" actually lets us sell downscale stuff at an upscale price; however, 2) the "Walmart® effect" actually keeps us from selling upscale stuff in the downscale environment.

Still skeptical? Ask yourself this-would you have nearly as hard a time believing steaks from Target® are good?

The bottom line for your business is this: if you position yourself as a premium provider, clients may not even realize if you occasionally drop the ball. But, if you position yourself as a discounter-if you give yourself a reputation for being cheap-clients will have a hard time believing you're good!

You probably didn't go into business to be the Walmart® of your profession. Let Walmart's challenge in selling steaks remind you why you should position yourself as high up the food chain as you can! ✷

This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 2/29/16 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!

Congress Takes New Tack on Extenders—*continued from page 1*

tax credits for post secondary education, (2) eased rules for qualifying for the refundable child credit, and (3) various earned income tax credit (EITC) changes;

- the $250 above-the-line deduction for teachers and other school professionals for expenses paid or incurred for books, certain supplies, equipment, and supplementary material used by the educator in the classroom; also modified, beginning in 2016, to index the $250 to inflation and include professional development expenses;
- parity for the exclusions for employer-provided mass transit and parking benefits;
- the option to take an itemized deduction for state and local general sales taxes instead of the itemized deduction permitted for state and local income taxes;
- increased contribution limits and carry forward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes; the new law also extends the enhanced deduction for certain farmers and ranchers; and,
- the provision that permits tax-free distributions to charity from an individual retirement account (IRA) of up to $100,000 per taxpayer per tax year, by taxpayers age 70 ½ or older.

Key tax breaks for individuals that were extended by the new law include:

- the exclusion of up to $2 million ($1 million if married filing separately) of discharged principal residence indebtedness from gross income; extended through 2016; the new law also modifies the exclusion to apply to qualified principal residence indebtedness that is discharged in 2017, if the discharge is pursuant to a binding written agreement entered into in 2016;
- the credit for energy-efficient improvements to principal residence extended through 2016;
- the deduction for mortgage insurance premiums deductible as qualified residence interest; extended through 2016; and
- the $4,000 above the line deduction for qualified tuition and related expenses; extended through 2016.

Key tax breaks affecting businesses that were extended by the new law include:

- The Work Opportunity Tax Credit was extended through 2019; the new law also modifies the credit beginning in 2016 to apply to employers who hire qualified long-term unemployed individuals (i.e., those who have been unemployed for 27 weeks or more) and increases the credit with respect to such long-term unemployed individuals to 50% of the first $6,000 of wages;
- 15 year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements were made permanent;
- 50% bonus depreciation was extended for property placed in service during 2015 through 2019; the 50% rate is phased down to 40% for property placed in service during 2018 and 30% for property placed in service during 2019;
- previously increased first-year depreciation cap on trucks and vans not weighing over 6,000 lbs. has been extended through 2017; the increased first year depreciation is lowered for 2018 and 2019 and disappears in 2020; and
- increase in Section 179 elective business expensing (up to $500,000 annual write-off of eligible business property costs that is phased out as those cost exceed $2 million for the year) is made permanent; also made permanent is the allowance of expensing for computer software and qualified real property.

Caution: This article contains a general overview of selected tax provisions contained in the PATH Act and does not address all tax provisions contained in the Act. Tax law is constantly changing due to new legislation, cases, regulations, and IRS rulings. Please contact us if you're interested in a tax topic that is not discussed in this article. ✷

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.

- Land Surveyor
- Veterinarian
- Marketing Coach
- Bathroom Remodeler
- Attorney
- Realtor
- Financial Advisor
- Mortgage Broker
- Chiropractor
- Auto Paint & Body
- Web Designer
- Pest Control
- Home Inspector
- Custom Monogramming
- Electrician
- Social Media Expert
- Mary Kay
- Identity Theft Protection

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WHAT SHOULD I DO IF MY 1099 IS WRONG?

Have you ever thought: "What should I do if my 1099 is wrong?" Well, here are four steps to take if you are issued an incorrect Form 1099.

1. Contact the issuer as soon as possible. Once you contact the issuer, explain to them that the 1099 was issued for the wrong amount. You should be able to prove to the issuer the correct amount that should have been reported. Then, ask the issuer to reissue the 1099 with the correct amount. Hopefully you can catch the issuer before they file the 1099s with the IRS. If so, the issuer can easily reissue the 1099 with no problem.
2. Another great item to get as proof is a letter from the issuing company that states the original 1099 was issued in error, the original 1099 has been destroyed, and a new, corrected 1099, in the stated corrected amount, has been issued. This letter of proof could come in handy if the company did not take the proper steps in correcting the 1099 with the IRS.
3. If the company has already issued your 1099 and sent it to the IRS, the company will need to issue a "corrected" 1099. The box on the top of the 1099 should be marked as "corrected." If the original 1099 was previously sent to the IRS, make sure the "corrected" box is checked on your new 1099. If it is not marked "corrected," the IRS will think you were issued two 1099s from the same company and add them together.
4. What happens if the company will not correct the original erroneous 1099? You will need to address this on your return. You will need to report the amount reported on the 1099 you received on your return, and then explain the overstatement of the 1099 in a footnote or statement.

Most importantly always pay attention when you receive a 1099 to make sure you were issued a correct 1099. It is easier to address the issue of an erroneous 1099 earlier than later. ✷

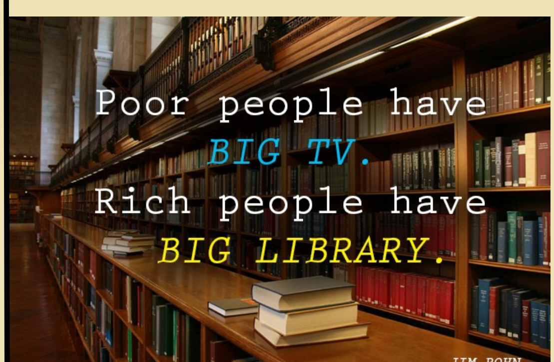
What I'm Reading…

NOW

Depraved Heart by Patricia Cornwell
Avoiding the Networking Disconnect: The Three Rs to Reconnect by Ivan Misner, Ph.D.

RECENTLY

The Zimmer Doctrine by C.G. Cooper
The Reluctant Entrepreneur by Michael Masterson



Motivation gets you going and habit gets you there. Make motivation a habit and you will get there more quickly and have more fun on the trip.
~ Zig Ziglar ~