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

SPECIAL POINTS OF INTEREST:

- **Affirmations, warnings, and suggestions**
- **Call-in times, referrals, and much more...**

INSIDE THIS ISSUE:

Taxing Times

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

VOLUME 13, ISSUE 2 FEBRUARY 2021

Making Our Money Match Our Heart

Tax time can remind us of our choices over the course of the entire previous year. We see how easy it is to pull the trigger on more expensive choices because we convince ourselves that "we deserve it". Rather than wanting this nice thing (whether it's as simple and perhaps-trivial as a clothing item or a dinner at a fine restaurant) -- we think we *need* this new thing.

I've compiled a short list of ideas on how to address these financial matters of the heart ... and some simple ways to put guardrails in place. The goal here is that we would train our hearts to more clearly align with good stewardship and wisdom, when sometimes we aren't used to practicing it.

1) Understand why you are purchasing what you are purchasing.
Sometimes the real reason we are buying something isn't actually the reason we might think we are buying something.

Are you buying your child a new bike because they need a new bike? Or ... are you feeling guilty because you don't feel that you are devoting enough time to that child? Are you purchasing that piece of jewelry for your wife because you simply love her ... or are you wanting to show her something about who YOU are?

These are hard questions, but they need to be asked. Which leads to the second idea...

2) Decide on (and actually operate from) a budget.
All the budgets in the world might align themselves into your family computer, but they are worth absolutely nothing if you don't actually use one of them. There are loads of great apps and utilities to choose from (like YNAB or PowerWallet, among others), and they can make it much simpler to determine whether or not you actually should buy something.

Sure, it may be that Macy's is running a killer sale ... but, if you go past your budget, you could be doing damage to not only your wallet, but your heart.

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Alabama Affirms Deducibility of PPP Loan Related Expenses

State and local tax experts Bruce P. Ely and Bethany Breeze Davenport, both of the Bradley law firm, report that the Alabama Department of Revenue recently issued helpful guidance. The guidance affirms the retroactive deductibility of business expenses funded, or that will be funded, by PPP loan proceeds, as authorized by the federal Consolidated Appropriations Act, 2021, signed into law on December 27.

The previous ADOR guidance, following the Governor's proclamation, excluded a number of CARES Act benefits from the calculation of Alabama taxable income, including:

- Cancellation of indebtedness income resulting from PPP loan forgiveness,
- Economic Impact (stimulus) Payments received during 2020,
- Qualifying disaster relief payments,
- Employer payments of qualified student loans of certain employees.

Conversely, the updated guidance reaffirms that (in contrast to the federal tax treatment) grants issued by the Governor's Office out of the state's Coronavirus Relief Fund (CRF) to business taxpayers are exempt from Alabama income tax, but as a quid pro quo, expenses funded by those grants remain non-deductible. ※

Making Our Money Match Our Heart— *continued from page 1*

3) Ditch the bad (expensive) habits and add habits that work even better.
Too often, shopping is used to ameliorate and numb our feelings of distress or pain. Recognize this within yourself when you have the space to realize it, (i.e., when you are NOT facing immediate distress or pain!) and look for ways to encourage your own heart and soul to reprogram your response to pressure.

Instead of popping over to Target on a rough day, go out for a jog or take a walk. Read a book to your children, or even pop over to the local coffee shop for a spell. Sure, those $4 lattes are expensive ... but, they're cheaper than a new set of golf clubs or a new dress.

The point is to create new neural pathways for our brain when under pressure.

4) Give yourself a limit for each purchase.
It's a great idea to establish parameters with your spouse for what you can term a "slush spending amount" (i.e., an amount of money that you agree you can spend without calling each other and checking in). Obviously, this doesn't apply to things such as gas, groceries, and other necessities, but, it can provide exactly the kind of trigger and accountability to retrain your heart into healthier spending habits.

5) Practice the art of gratitude.
The ancient Greeks called this practice *eucharisteo* -- and it can be a powerful remedy for the unhealthy practice of buying more "stuff" as a way to feel better about oneself. The fact remains that you have much to be grateful for, no matter your current life circumstances. It mostly requires a willingness to see.

Dealing with our hearts when it comes to our finances is a tricky proposition. But, it's a necessary first step to a healthy family financial picture. ※

We Believe in Referrals

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.

- Custom Monogramming
- Medicare Supplements
- Identity Theft Protection
- Self-storage Building
- Cruise Specialist
- Attorney
- Home Insulation
- Realtor
- Bathroom Remodeler
- Pest Control
- Financial Advisor
- IT Specialist
- Auto/Home/Life Insurance
- Banker
- Mortgage Broker
- Executive Leadership Coach
- Air Conditioning Repair
- Printer

COVID-19 Relief Bill Enacted

On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021, which, among other things, provides for the following: (1) tax deductibility of Paycheck Protection Program (PPP) loan expenses, (2) PPP loan recipients are eligible for the employee retention credit, (3) expansion of the employee retention credit, (4) 100% deductibility of restaurant business meals for 2021 and 2022, (5) expansion of the above-the-line charitable deduction, and (6) extensions of certain tax incentives. In addition, the bill provides $600 stimulus payments to eligible individuals, adds $300 to extended weekly unemployment benefits through March 14, 2021, and provides aid for small businesses through forgivable PPP loans. The second round of PPP loans are available to certain Section 501 (c)(6) business leagues, first time qualified borrowers, and second time borrowers with 300 or fewer employees who can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019. ※

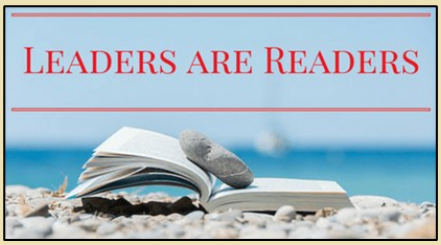
What I'm Reading...

NOW
Hunters by Matt Rogers

Retention Point: The Single Biggest Secret to Membership and Subscription Growth for Associations, SAAS, Publishers, Digital Access, Subscription Boxes and all Membership and Subscription Businesses by Robert Skrob

RECENTLY
Walk the Wire by David Baldacci

The Pumpkin Plan: A Simple Strategy to Grow a Remarkable Business in Any Field
by Mike Michalowicz



Why Struggle With the Walmart Effect?

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:

There is a placebo effect. 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 cortexes. (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 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.

There is also a Walmart effect. 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 Sham-Wow" 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.

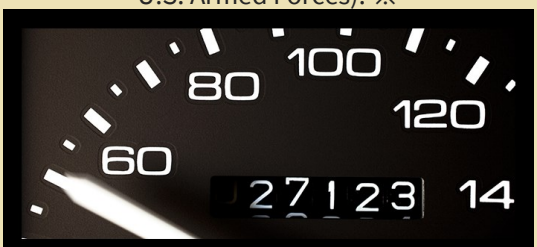
Still skeptical? Ask yourself this-would you have nearly as hard a time believing steaks from Target are good?

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! ※

New 2021 Standard Mileage Rates

Beginning January 1, 2021, the standard mileage rates for cars, vans, pickups, and panel trucks will be 56 cents per mile for business purposes, 16 cents per mile for medical or moving purposes, and 14 cents per mile for charitable purposes. However, the rates cannot be used to claim an itemized deduction for unreimbursed employee travel expenses or for moving expenses (except for certain members of the U.S. Armed Forces). ※



New IRS mileage rates for 2021

This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 2/15/21 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!

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IRS Issues Warning About Offer in Compromise Mills

You've probably seen the television commercials. Apparently well-to-do, but desperate, people listen to an amazing answering machine that their IRS tax debt has been reduced by thousands of dollars. The tax settlement firm has stepped in and negotiated with Uncle Sam for a reduction of the liability, and the clients are elated. But that's television, not reality.

Predatory tax settlement firms that exaggerate their ability to help taxpayers settle their tax debts for "pennies on the dollar" through an Offer in Compromise (OIC) have flourished in recent years. They have increasingly used misleading claims and marketing methods to attract prey. Recently, the IRS included these crooked operators in its annual Dirty Dozen list for the first time ever.

Offer in Compromise

IRS

Predatory debt relief firms often charge several thousands of dollars in upfront fees, but deliver little more than promises for taxpayers who are unlikely to qualify. The IRS refers to these scams as "OIC mills," whose business plan appears to be charging high fees and churning out applications.

Although the OIC program helps thousands of thousands of taxpayers reduce their tax debt, not everyone qualifies. Strict rules govern when the IRS can accept less than the full amount of the tax owed. The IRS will typically reject an OIC that is less than the "reasonable collection potential." The reasonable collection potential is based on the value of the taxpayer's assets, such as bank accounts, motor vehicles, and real estate and anticipated future income earning ability. It also subtracts certain amounts for basic living expenses. The IRS has limited wiggle room to depart from the formula in hardship cases.

While most OICs are based on the taxpayer's inability to pay, an OIC may also be used when there is a genuine dispute whether the taxpayer owes the taxes.

IRS data shows that, for 2019, they accepted only 18,000 of 54,000 OICs submitted, or about one-third.

The problem may get worse as the COVID-19 recession impacts a growing number of taxpayers with financial struggles. ※