LINDSEY & WALDO
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:

- **Which mindset do you have?**
- **The "root" of your business comes down to marketing**
- **Myths, facts, and principles of Accounting**
- **Call-in times**
- **Referrals**

INSIDE THIS ISSUE:

How to "Write Off" Almost Anything 1
Growing Solid Roots 1
Call-in Times 2
Looking for Someone You Can Rely On? 2
5 Common Misconceptions About Accounting 3

How to "Write Off" Almost Anything

I get all kinds of questions throughout the year when it comes to taxes. But, whether at social gatherings, sporting events, or even business networking functions, one of the most common ones I receive is: **Can I write this off?**

The answer, of course, is "that depends". So, allow me to set the record straight on all of this for you.

In my experience, there are 3 primary mindsets of people out there:

Mindset 1: These are the people who want to write off everything, whether it's legal or not, figuring the cost of an IRS audit won't be "that bad". Or, they think they won't get caught. They are invincible, or so they think. That's more common than you would ever want to know.

Mindset 2: These folks don't want to write ANYTHING off. In fact, I've known some who will tell me that they want to purposely overpay their taxes. If they have a legitimate $10,000 deduction, then only deduct $9,000. They figure that will keep the tax man away.

Mindset 3: These are the people who want to pay less in tax, but they are cautious. They still want to sleep at night.

Well, I've got good news and bad news about this one. First the good: **it's easier than you might think.** But the bad: **you really have to do it right**.

There are four primary steps for this, and you have to follow them all…

#1: You must have a business. If you've consistently had a tax loss in your business after you take all of your deductions, you could run the risk of the IRS reclassifying your business as a hobby. If you have a hobby, you can't take the deductions.

There are generally 9 factors that the IRS uses to determine if you have a business. These 9 factors break down into 4 categories:

1. Are you running your business in a business-like manner?
2. Are you putting in enough time and effort to reasonably expect success in your business?
3. Do you have past success in a business like this? Or, if not, do you have a mentor, coach, or advisor who does have past success?
4. And finally, the big one, do you have a true profit motive for your business? You might be losing money now, but do you have a plan that will get you in the green?

Continued on page 2 ➦

Growing Solid Roots

When you first join a networking group it can seem difficult to obtain referrals from fellow members. But, instead of giving up and looking for another group to join, there are some things you can do to encourage them to spread the word about you or your company.

According to the book, *The World's Best Known Marketing Secret*, when you first begin developing a referral-based business, you receive a few referrals in the first year, twice as many in the second year, and then, in the third year, it really starts to jump. That being said, let's talk about the three R's of networking:

Continued on page 3 ➦

How to "Write Off" Almost Anything—*continued from page 1*

The first step is the hardest. It trips all kinds of people up, BUT, at the end I'll give you an example for how it may not be as hard as you think…

#2: The expense must have a business purpose. The expense must be "ordinary and necessary to the production of income". But, that's about all the guidance you're going to get. And that's the reason why so many people get stuck, especially in the beginning. What's deductible? *It depends!*

If you can prove that this expense has a business purpose, you covered #2. I'm going to go over the next two steps and then, again, an illustration for how you can write off almost anything (provided you follow the steps, of course).

#3: You can document you paid the expense. This is pretty much a no-brainer. No receipt equals no deduction. When you're out, use your smart phone to take a picture of receipts. It's a whole lot easier to keep track of pictures than loose slips of paper. Then, if you paid for the deduction with cash, check or credit, you got the deduction.

#4: Make sure you properly report on your tax return. There are 3 steps to a successful tax strategy.

Strategy + Implementation + Reporting

The tax return is the final part of the strategy. That's where we come in, of course.

Now for my illustration…

Let's say you have a thing for eating organically.

Well, here's a plan that would get you writing off some of that food.

You're familiar with social media like Twitter, Facebook, Instagram, etc. and have been talking about starting a blog. Perfect! You set up a blog about eating organically. Then, you set up an arrangement with an "affiliate marketer" for a variety of organic food and supplement suppliers.

On the blog, you highlight various foods, and talk about things like taste, price, how to cook them, what to pair them with, downsides to eating too much of them— essentially all the things that fellow organic food lovers would care about.

You now have a business. Commissions are coming in as your readers buy food from the site. And, you necessarily must buy, prepare, and eat organic food, in order to write about it for your readers— that is, in order to deliver your business' fundamental service.

Is that all it took? No, you have to meet the 4 steps above, as well.

But here's the thing:
Sometimes the best way to get the answer is to change your question.

If you've been asking, "What can I deduct?". Change it to "How can I deduct THIS?". The answers may surprise you.※

This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 6/13/22 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.

- *Travel Agent
- *Port Facility
- *Attorney
- *Bathroom Remodeling
- *Physical Therapist
- *Custom Embroidery and Monogramming
- *Medicare Supplements
- *Home Repairs
- *Auto and Home Insurance
- *Technical Staffing Agency
- *Home Inspector
- *A/C Repair and Replacement
- *Banker
- *QuickBooks© Advisor
- *Realtor
- *Printer
- *Financial Advisor
- *Advertising Specialties

Growing Solid Roots—*continued from page 1*

relationships, reliability, and referrals.

Word-of-mouth is about "relationship marketing". If you approach the first year of your involvement in a networking group with the sole motivation of getting to know the other members well, you will be far ahead of the game.

It's not really about what you know or who you know; but rather, how well you know them that really matters! People do business with, and refer people to, people they know, like, and trust.

The time it takes for people to get to know and trust you may vary from profession to profession. Obviously, it is unlikely you can get to know someone very well in the 15 to 20 minutes you might have before each formal meeting starts. You need to have time outside of meetings to get to know each other better.

For the first year or so in a networking group, you're putting in your time. Your referral partners are testing you, checking you out, and making sure that you deserve to have their valuable friends and clients turned over to you.

Therefore, you must be credible to the other professionals with whom you hope to network. Bear in mind that you should feel the same way, too. Before you risk your reputation with your clients by referring them to someone who takes less care of them than you do, you must be very sure that the person you are referring them to is reliable!

After cultivating relationships and proving yourself to be reliable, you get referrals as the result. Let me make this perfectly clear. You can't sit next to the fireplace and complain the fire's not producing enough heat if you haven't first gathered some wood, put it in the fireplace, and taken a match to it.

For someone to receive a referral, someone must give. I would suggest that if you're not seeing the referrals you want to, then you need to check to see how many you are giving.

This is a natural progression that can't be rushed. I know it can seem frustrating at times when you're anxious to see your bottom line increase quickly from all the referrals you're anticipating receiving, but believe me, if you are patient and apply these techniques, you will see word-of-mouth marketing work for you in a big way.

You can't take an orange tree and rip it up from the ground year after year and replant it on the other side of the yard, just because it wasn't bearing fruit where it was. You have to water, fertilize, and care for the tree where it is. In time, you will produce fruit in relationship to your efforts. You must approach building a word-of-mouth based business this way. In a solid networking group, you're growing solid roots with the other participants. The worst thing for you to do is to pull them up just as they are getting set. ※

5 Common Misconceptions About Accounting

For a lot of people, the concept of accounting is a little vague and mysterious. We often picture an old man, banging away on a calculator or keyboard. In fact, when I did a Google Images search of the word accountant, nearly ninety percent of the pictures showed one or the other, sometimes even without a person in the picture. Any time we have preconceived notions or misconceptions about people, or the work they do, we put ourselves at a disadvantage. So, I'm going to try to debunk some of the most common myths.

Myth #1: It's all about the numbers
"You must be good at math," or "You must love math" is something I hear regularly. And while I am good at basic math, I have never understood calculus, trigonometry, or statistics. Loving math is not a prerequisite for being a good accountant. Most of the math I use is addition, subtraction, multiplication, and division, and I always use a calculator or computer as a tool to be sure I'm right. While we do look at numbers, we are more interested in the story the numbers tell. If I tell you a business has $1 million in revenue. Is that good or bad? Depends on your frame of reference doesn't it? If I tell you that same business had $700K in revenue last year, it begins to tell you part of the story. If I tell you that business had $1.3 million in revenue last year it tells a different story. If I told you, that despite having less income this year, the profit was greater, it tells yet another story. It all depends on the frame of reference.

Myth #2: Accounting is just bookkeeping
At its core, bookkeeping is a double-entry system of recording revenue and expenses for a business. The system is attributed to Luca Pacioli, a Franciscan friar who was also a mathematician and collaborator with Leonardo da Vinci. And of course, like many systems, it has its own language. That's one of the things that make it vague and mysterious to the uninitiated. Accounting, however, goes beyond just keeping books. Accounting involves analyzing financial records and using data to make forecasts for the future. Accounting is the over-arching guidelines and principals on which bookkeeping rules are based.

So, as an aside, Generally Accepted Accounting Principles (GAAP) are used by companies of all sizes and industries in the U.S. GAAP in the U.S. is established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). There are ten principles:

- The economic entity principle,

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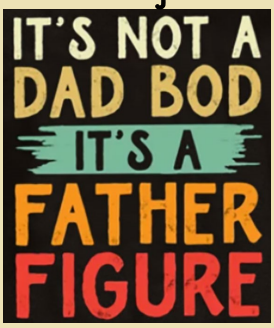
to all the Father Figures out there.



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(251) 633-4070 or info@CPAMobileAL.com.

5 Common Misconceptions About Accounting—*continued from page 3*

- The monetary unit principle,
- The time period principle,
- The cost principle,
- The full disclosure principle,
- The going concern principle,
- The matching principle,
- The revenue recognition principle,
- The materiality principle, and
- The conservatism principle.

Myth #3: Accounting is an exact science
Since accounting is principles based, and not rules based, accountants have some latitude in setting policies and accounting methods. We often innovate and take active roles in managing businesses.

Myth #4: Accounting is only for taxes
This is one of the most common misconceptions. Although it's true that, to be a CPA, we must have a general understanding of taxation, there are many types of accountants that have nothing to do with taxes such as forensic accountant, environmental accountant, personal financial planner, business valuation, and auditor.

If taxes are outside their area of expertise, chances are they won't know the latest tax rules or how to deal with complex issues.

When I talk with potential clients, I try to convey to them that waiting until March or April to put their financial house in order is a straight path to paying higher taxes. To minimize their tax bill, they need to know the rules of the game or have someone on their side who does. Since the tax rules are constantly changing, they need to keep up with their financial situation and consult with their tax advisor regularly.

Myth #5: Accountants are boring, introverted people
We're back to the stereotype picture of an old man, sitting behind a desk. Wait, while I'm thinking about it, in case you didn't know, more than 60 percent of accountants are women. So, we're back to the stereotype picture of an old man, sitting behind a desk, wearing a green visor, and banging away on a calculator or keyboard. No, most of us aren't flashy like a rock star. But, that doesn't mean we spend our time away from the office reading tax manuals either. There are accountants who are football players, comedians, FBI agents, MMA fighters, Olympic athletes, and even Miss America. Being a successful accountant isn't much different than other lines of work. We work to engage with people; to be a partner and advisor; to develop and maintain long-term relationships.

Perhaps accountants aren't the traditional number crunchers of the past. ※