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Client Information Bulletin

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Common Benefits of a Business Plan

Get a head start on the new year

As you approach the start of another year, you need to project a positive attitude for your business. One way to get things off on the right foot is to draw up a business plan for 2011 and make sure it is properly executed.

Essentially, a “business plan” is a blueprint for running the company on an annual basis. But a comprehensive plan can do much more than that. Here are several benefits you may typically realize from a business plan:

- ◆ The plan can provide a needed sense of direction. It will show you where you are, where you’re going and how to get there. Of course, the plan does not have to be “unchangeable.” For instance, new developments may require slight deviations from your original plan. However, your business decisions probably will be more solid if they are made within the framework of the original plan. If something is way off base, it should raise suspicions.

- ◆ A plan forces management to be proactive instead of reactive. Frequently, business managers in small companies tend to “put out fires” as problems arise. Committing a business plan to writing requires a great deal of discipline, but going through the process is worth it. For example, you can poke holes in a hastily conceived plan once you see it in black and white.

- ◆ Advance planning usually leads to better communication. For one thing, the process will force you to crystallize your vision of the company. For another, it encourages input from the personnel involved with the planning. This kind of dialogue may be particularly vital, especially in small firms. **Reason:** The employees have a chance to engage in valuable give-and-take with management.

- ◆ A business plan may give you instant credibility in your industry or profession. It can be especially impressive to creditors and the lending officers of the banks you deal with. And it may satisfy a psychological need for you and your company to be taken seriously.

- ◆ The plan may be used to help raise capital for the company. For instance, by focusing on accounts receivable in your business plan, you may be able to free up additional funds. Furthermore, a lender will likely require you to present a business plan plus cash projections to obtain a loan.

How do you construct a business plan? In general, most plans include the following: a statement of objectives, strengths and weaknesses, position in the marketplace, future direction, critical issues and so forth.

Generally, it helps to obtain the assistance of an experienced professional.

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However, there is no magic formula. It's your plan, so you can shape it into a format that seems right to you. In fact, you probably will make changes in the plan's format from year to year. The important thing is to touch all the bases essential to your particular line of work.

Reminder: Use your business plan as guidance—but do not treat it as the “bible.” Feel free to modify the plan regularly during the course of the year as circumstances dictate. Your business advisers can provide the necessary assistance in this area.

Eight Ways to Update Your Web Site

How to encourage return online visits



As the owner of a small business, you have probably realized the need for an Internet presence in this competitive business environment. However, after you have developed a Web site, it may become stale if you do not update it on a regular basis. And then there is no reason for clients and prospects to return to your Web site.

Although every business is different, here are eight possible ways to give your Web site a fresh look:

1. Produce a regular news column. The news about your firm might include product or service announcements, new contracts, new employees coming on board, internal promotions and notification of special awards or certifications. These news items can be short—even just a few lines of text linking to a page can do the trick.

2. Create an online portfolio page. This can spotlight the work you are performing. It can help marketing efforts as you lead potential clients through your Web site with visual aids.

3. Write a blog. This is a good way to stay in regular touch with site users. A blog can be added to your Web site at a relatively small cost—or even no cost—but it does require your time and effort.

4. Answer “frequently asked questions” (FAQs). You probably are asked some of the same questions over and over again. Put your answers in an FAQ section. Update the list regularly as new questions arise.

5. Develop a “how to” section. If you showcase how-to information related to your business, you will provide insights to casual browsers. This can establish you as an expert who may be called upon to provide business services.

6. Tell “before” and “after” client stories. This is an effective means to demonstrate the benefits of using your business. Interview the clients and bolster the concrete details with quotes.

7. Provide business statistics. Statistics are interesting, and people often like them. They can make your business appear “real” to clients and show the importance of your products or services.

8. Post a newsletter. If you already provide a newsletter on a regular schedule, have it posted on your Web site. The newsletter enables you to communicate important information while maintaining regular contact with your client base.

To ensure that these content-building ideas move past the idea stage, assume the main responsibility yourself or assign it to someone in the office. If it is another employee, meet with him or her on a regular basis to check the progress.

Select someone who is a good writer, has enthusiasm for the task at hand and is an integral part of the organization. Establish definitive goals for content delivery (e.g., have the writers provide one new piece per week).

If you do not have a viable candidate on staff to prepare Web site updates—and you are too busy or not equipped to handle the job yourself—you might decide to look outside the company. Numerous writers and firms provide professional services for a fee. Consider it a necessary expense of keeping your site up-to-date.



Give Us A Call!

Do you have any questions or comments about this newsletter or your individual situation? Please do not hesitate to contact our office. We would be glad to serve you in any way we can.

Home-office Deductions: Terms of Tax Endearment

Staying at “home, sweet home” for tax purposes

If you operate a business out of your home, you may be able to write off a portion of your everyday living expenses. But tax deductions for home-office expenses are not automatic.

Basic rules: Home-office expenses are deductible on your 2010 tax return if you use part of the home “regularly and exclusively” as either the principal place of your business or a place to meet or deal with patients, clients and customers in the normal course of business. Also, you may deduct expenses attributable to a detached structure—such as a garage or shed—used in connection with your business.

If you are an employee, the home office must be used for the convenience of the employer. Keep your employment contract as proof of the condition.

The basic rules are relatively straightforward, but several key terms require further explanation.

Regular and exclusive use: To meet this requirement, you must use a specific area of your home only for business reasons. The specific area can be a room or even an identifiable space within a room. It does not have to be permanently enclosed, but doing so strengthens your tax position.

If you use the office portion of the home occasionally or sporadically for personal reasons, the personal use “taints” the home office. Thus, no deductions are allowed.

Note that certain exceptions apply for day care centers and facilities for the aged or disabled. Furthermore, if a home is a principal place of business and a specific area is used for inventory or product storage, the area qualifies for depreciation deductions if it is used regularly for business.

Principal place of business: If you are self-employed and work exclusively from home, it is obvious that your home office is your principal place of business. But this determination is not always so clear cut. For instance, you might perform some business functions at home, but spend most of your time visiting clients, customers or patients at other locations.

The law in this area seesawed back and forth for years, but you can currently qualify for home-office deductions



if you perform administrative and management functions at home and you have no other fixed business location for these functions. Administrative and managerial activities may include

- ◆ billing and invoicing
- ◆ keeping books and records
- ◆ ordering supplies
- ◆ setting up appointments
- ◆ researching and writing reports

However, you are not disqualified if you arrange to have administrative or managerial duties performed at other locations. For example, you might outsource payroll duties or handle customer inquiries on your laptop in hotels or airports. Similarly, you will not be penalized if you spend more time on the road than at home.

Convenience of employer: An employee is entitled to deduct home-office expenses only if he or she is specifically required by the employer to maintain a home office. Thus, a dedicated worker who brings work home nights and weekends usually does not qualify. It does not matter if the work at home results in a benefit to the employer—it must be an absolute condition of employment. In addition, keeping a home office must be justified by the nature of the job.

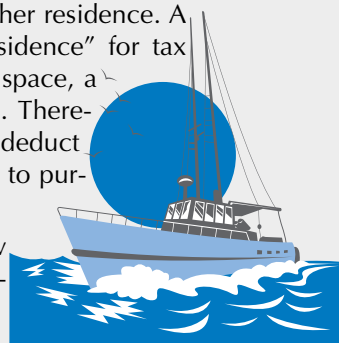
Contact a professional tax adviser for the application of these tax rules to your personal situation.

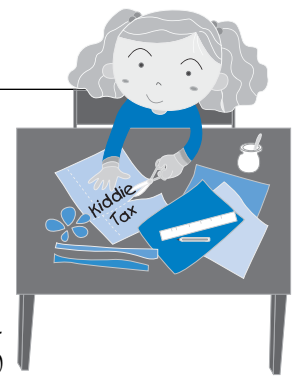
On Course for Tax Deductions

Some boating enthusiasts may be in line for a special tax break.

How it works: Generally, you can claim interest deductions, within certain limits, on loans used to buy a principal residence and one other residence. A boat can qualify as a “residence” for tax purposes if it has sleeping space, a kitchen and toilet facilities. Therefore, you may be able to deduct the interest on a loan used to purchase the boat.

This is just a brief overview of the rules. See a tax adviser for details.





Cutting the “Kiddie Tax” Down to Size

Four ideas for reducing or eliminating tax

The “kiddie tax” is a bit of a misnomer. This tax provision may actually apply to children well into their twenties. Nevertheless, with some advance planning, you can minimize or even eliminate the tax damage.

Basic rules: Income is generally taxed at the tax rate of the individual who receives it. For example, if you are in the 35% tax bracket, your top dollars are taxed at the 35% rate. On the other hand, if your child is in the 10% bracket, the child pays tax at a maximum rate of only 10%.

However, a special rule applies to younger children who receive unearned income above an annual threshold. In this case, the excess is taxed at the top tax rate of the child’s parents. Thus, instead of being taxed at the 10% rate, your child may be taxed at the 35% rate on the excess.

The annual threshold is adjusted for inflation, but increases have been small or nonexistent. For 2011, the threshold is \$1,900, the same as it was in 2010 and 2009.

Another problem: Initially, the kiddie tax only applied to children under age 14, but the limit has been raised several times. Currently, the age limit is 19, or age 24 for a full-time student if the child doesn’t have earned income in excess of half of his or her annual support. In other words, if your dependent child is in college, the kiddie tax most likely still applies.

How can you lessen the impact? Although every situation is different, here are four ideas to consider:

1. Keep your child’s unearned income below or near the \$1,900 threshold. For instance, you might wait until next year to give your child some income-producing property. This technique works especially well if you do not expect your child to pay the kiddie tax in 2012.

2. Utilize tax-deferred investments that don’t produce current income. This may include investments in growth stock and U.S. Savings Bonds. Similarly, if the child buys certificates of deposit (CDs) or Treasuries that will not mature until next year, you can avoid or minimize the kiddie tax for 2011.

3. Allocate a portion of your child’s investment portfolio to municipal bonds (“munis”) or muni bond funds. Generally, the income received from these investments is completely free from federal income tax, so your child can pocket any amount without kiddie tax worries.

4. Hire your child to work for your company. Because the wages constitute earned income, this will not trigger any kiddie tax complications. As long as the child is paid a reasonable salary for the services performed, your company can deduct the wages. This is a good way to help a child save money for college without adverse tax consequences.

Final advice: Keep one eye on your child’s portfolio and the other on the kiddie tax. But take all the relevant factors—not just taxes—into account when you make investment decisions.

Facts and Figures

Timely points of particular interest

➔ **The Paperless Society**—Unlike prior years, the IRS did not mail out “paper” tax return packages this year. Typically, the package contained forms, schedules and instructions needed to file a paper income tax return. Taxpayers who filed a 2009 return via paper and did not use a tax return preparer or preparation software were mailed a postcard notifying them of the change.

➔ **Up in Smoke**—In a new case, a couple planned to demolish their home, so they donated it to a local fire department to use for practice. Then they claimed a charitable deduction for the value of the gift. But the district court in Ohio disallowed the deduction. **Reason:** The couple didn’t obtain a qualified professional appraisal of the home’s value, and the appraisal they did submit was incomplete.

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