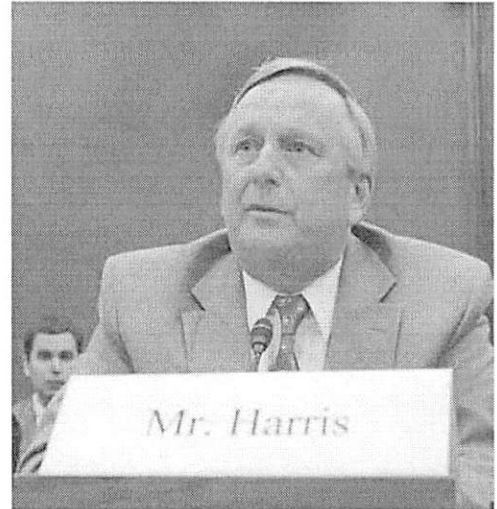


Padgett in Washington, D.C. – What Are We Doing for You?

As a small business owner, you are undoubtedly already aware of the many services Padgett Business Services® provide that simplify and streamline your business and increase your profitability. But, did you know that in addition to providing tax preparation, payroll, financial reporting and business advice, Padgett also serves as your advocate in Washington, D.C. ?

We understand business, and we understand the needs and concerns of small business owners like you. We know that government policy and tax code has a dramatic impact on your business, and that's why Padgett Business Services® continues to advocate on Capitol Hill for policy and tax code changes that will benefit small business owners.



Roger Harris speaks before the House
Committee on Ways and Means

Where is Padgett Focusing?

2013 was an active year for Padgett Business Services® in the Washington, D.C. policy arena. We focused our attention on several areas of key interest for small businesses:

- Tax reform with simplification of the tax code;
- Policy changes that would improve cash flow;
- Reducing the burden of 1099K credit/debit card reporting requirements; and
- A reduction or elimination of so called "soft notices" from the IRS.

Why Are These Issues So Important to Small Business Owners?

Each of the above issues has a clear, immediate and troublesome impact on small business. The complexity of the current tax code means that small business owners must constantly struggle to keep on top of an ever-changing and difficult-to-navigate system where errors or delays result in costly penalties and time-consuming paperwork.

On the subject of tax reform, Padgett Business Services® worked with the Senate Finance Committee to incorporate many of our ideas into their November report on Cost Recovery and Accounting. Some of the proposed items included:

- Making the current \$1 million cap on Section 179 asset write-off deductions permanent.
- Allowing businesses to combine start up expenditures and organizational costs and expense \$10,000 of these costs immediately.
- Allowing businesses with average annual gross receipts of \$10 million or less (currently 1 million) to elect the cash method of accounting for tax purposes and write off all purchases of inventory in the year purchased.

JEFF STRUBLE

3233 W PEORIA AVE #105 PHOENIX, AZ 85029 602-354-5127 FAX:602-354-5590
1660 S ALMA SCHOOL RD #226 MESA, AZ 85210 480-668-1155 FAX: 480-668-1313
jeff@rhinodreams.com padgett@rhinodreams.com www.rhinodreams.com
LET US KNOW HOW WE CAN CAN HELP YOU GET THROUGH THE TAX SEASON

- Exempting businesses below the \$10 million gross receipts threshold from having to capitalize direct and indirect costs of inventory acquired or produced.
- Indexing the above gross receipts threshold for inflation.

Cash flow is the single most vital contributing factor to the success or failure of small businesses, especially during start up. Roger Harris, President and COO of Padgett Business Services®, testified before the House Committee on Ways and Means, providing the Committee specific recommendations on how to create a true cash basis tax system for small businesses, including immediate deductions for new business start-up costs, inventory, and leasehold improvements.

Credit/debit card 1099K reporting that went into effect in 2011 required taxpayers to reconcile the reported amounts to the taxable income on their business return or face stiff withholding. This law was hastily implemented and contained no adequate provisions for how chargebacks or refunds would be handled. Padgett worked with the IRS and oversight committees on Capitol Hill to convince the IRS to drop this requirement. In a victory for small business owners everywhere, it was quickly withdrawn! Had the withholding actually gone into effect in 2013, numerous businesses would have found a substantial amount of their cash flow tied up due to inaccurate or omitted information from their card processor's reporting.

The so-called "soft tax notices" the IRS began issuing to small business taxpayers in 2013 were intended to increase tax compliance in a simple, efficient fashion; however, in practice, these notices were confusing. Padgett's message to the IRS and Capitol Hill was that there is, in fact, nothing "soft" about these notices; taxpayers receiving them must spend considerable time and money responding to the IRS or face stronger enforcement actions. While we continue to work with our allies on the Hill to stop these notices, we feel confident that the IRS will at the very least make these notices more focused and less burdensome.

What's Next?

Although no one knows if tax reform will happen in an election year, most believe that if Washington, D.C. is serious about solving the big financial problems facing our nation, tax reform must take place. Padgett will continue to monitor this activity and we will continue to support any effort that benefits small businesses and their owners.

Contact to your local Padgett office for more information on our efforts in Washington, D.C., and remember, we are here to serve you!

PADGETT BUSINESS SERVICES®
WHERE YOUR SUCCESS TAKES ROOTSM



PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.