

THE SMALLBIZ BUILDER

Planning For Your Dreams



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This Month:

- FICA Wage Base Not Affected by Change in Ownership
 - Tax Tips for Uber Drivers
 - Rental Property Held as Tenant-in-Common
- Delegation is Crucial for Small Business Owners – Part 2

FICA Wage Base Not Affected by Change in Ownership

Whenever an existing business is acquired by another owner, the existing FICA contribution wage base for the employees will continue for the new employer. This is good news for employees of the business who may earn wages which typically exceed the Social Security wage base. For those employees, it means that they won't need to worry about excessive FICA withholdings being taken from their wages, even though the business now has a new owner!

Tax Tips for Uber Drivers

Ridesharing has become a popular way to make some extra money, but before you commit to driving for a ride-share company like Uber, Lift or Sidecar, you need to know the tax implications of this type of work!

- Generally, you're treated as an independent contractor, not as an employee, which means you'll receive a Form 1099-MISC, not a Form W-2. The income you earn will be subject to self-employment tax and reported on Sch. C of your income return. Since there'll be no withholdings from your pay, you're responsible for making estimated tax payments associated with this income. Remember, the income will also be taxable in your state, so be sure to consider your state tax implications.
- There are various deductions allowed to offset your income. One example is use of your personal vehicle for business purposes. You can take the standard deduction for miles driven or deduct actual expenses. Be sure to track your mileage and document your expenditures. Other common deductions include tolls and parking fees, as well as snacks and water for your passengers. Any out-of-pocket expenses to use an "Uber device" will also qualify as a deduction. You may be able to write off the business use of your cell phone or navigation device.

If you're thinking of engaging in this type of activity, contact us to discuss how it'll impact your tax situation.

Rental Property Held as Tenant-in-Common



You don't have to form a corporation, partnership or other entity to own a rental property with a friend, relative, or business associate. You can own the property as tenants-in-common. And interests don't have to be on a 50-50 (or other amount based on solely on the number of tenants) basis.

For example, Sandy can put up 70% of the capital and Jack 30%. If that's the case, Sandy is entitled to 70% of the income and is responsible for 70% of the expenses. And that's how each should report the income and

expenses on their respective tax returns. If Sandy doesn't pay her full 70% share of the expenses, the additional amount paid by Jack is considered a loan to Sandy. Jack can't deduct the amount he paid for Sandy. Talk to your attorney about the best way to handle the agreement. In most cases the split should be spelled out in the deed. You may want to have a side agreement as to the responsibilities of each tenant.

Delegation is Crucial for Small Business Owners – Part 2

Last month we focused on the concept of delegation, why it is so important to delegate, and why it can be so difficult to delegate. This article continues the discussion of this important management tactic.

What should you delegate? You should delegate tasks that:

- Are repeated
- Are non-essential
- Don't have short deadlines
- Can be better accomplished by someone else

Remember not to delegate tasks that are a mismatch for your employees' skill sets and to always handle work that is confidential to the company.

To whom should you delegate? The key to deciding to delegate to whom is done through matching the right task to the appropriate person. Learn the current workload, skills and work style of your employees and you'll then have a much clearer picture of what tasks to allocate to whom. Look for employees who are interested in learning new skills or who want to enhance the skills they already possess. Delegation is also an excellent way to prepare an employee for a promotion or to fill in gaps in his/her current skill set.

How should you delegate? Good delegation requires time and commitment from you. The first step is to clearly define the tasks you're delegating and communicate them to your employees. Be sure to state why the task needs to be done, the desired outcome and the timeline in which it needs to be completed. Remember to allow different methods and working styles for the task. After all, you're handing over the responsibility, so you cannot expect an employee to do the task the exact same way you would have done it yourself.

Delegation, when carried out correctly, will give you the room you need to concentrate on growing your business. It'll also develop your team's skills and engage them more in your business. As a leader, your time needs to be spent in high-level, strategic tasks, and not in low-level details. You'll be hobbling your own business if you don't delegate! Contact us if you need to delegate any of your financial tasks to us!

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PADGETT BUSINESS SERVICES® is dedicated to meeting the compliance, profit & financial government 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 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.



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