THE SMALLBIZ BUILDER
Your Monthly Newsletter Update

PADGETT BUSINESS SERVICES

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This Month:

- Name Change as a Result of Marriage or Divorce
- Auction and Yard Sale Income
- Creating Your Company's Culture
- Before You Sell

Name Change as a Result of Marriage or Divorce

If you changed your name recently as a result of marriage or divorce, you'll want to take the necessary steps to ensure the name on your tax return matches the name registered with the Social Security Administration (SSA). A mismatch between them can cause problems in the processing of your return. Complete Form SS-5, Application for a Social Security Card at your local SSA office and provide proof of your legal name change if any of the following apply:

- You took your spouse's last name or if both spouses hyphenate their last names.
- If you were recently divorced and changed back to your previous last name.

If you adopted your spouse's children after getting married, you'll want to make sure the children have a Social Security Number (SSN). Taxpayers must provide an SSN for each dependent claimed on a tax return. For adopted children without SSNs, the parents can apply for an Adoption Taxpayer Identification Number (ATIN) by filing Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions with the IRS.

Auction and Yard Sale Income

Did you recently sell items at an auction and yard sale? Depending on facts and circumstances, you may have reportable income. Selling your '67 Mustang? Any gain is likely to be a long-term capital gain. Occasional sales of items previous purchased for personal use for less than what you bought them for would not be reportable. But if you're buying and selling items on a recurring basis, there's a good chance you're in business and you'll have to report the income. Go to the IRS Web Site and search for "online auction sellers" for more information. In addition, the IRS has a Fact Sheet (FS-2007-23) outlining what's taxable and what might be deductible for taxpayers who earn income from auctions and consignment sales.

Still not sure if you have to report a sale? Contact us if you need help!

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Creating Your Company's Culture

Every company has a culture. The culture can be carefully created by the company's management, or it can be something that evolves on its own. Research shows that companies with a strong culture significantly outperform companies without a foundation of shared values.

What is company culture? It's the shared identity, values, attitudes, atmosphere, behaviors and beliefs that are the driving force behind how a company does its work. Culture unifies a company and shapes major decisions, such as who to hire or how to serve your customers. Here are steps on how to grow and shape your company culture.

Identify your company's core values. What are your goals and how do you want to achieve them? Examples of company values are:

- Honesty
- Creativity
- Diversity
- Open to new ideas
- Customer service
- Efficiency
- Collaboration
- Loyalty
- Innovation
- Environmental stewardship

Create or revise your practices and procedures. If your company values creativity, for example, allow your employees a blocked period of time each week to work on whatever they want - whether it's creating a board game or building prototypes for new marketing software. The employees then get to present their creation in a company meeting. Some of the best ideas for products and services can come out of this type of creative outlet.

Lead by example. Filter every action you take as a leader of your company through the lens of your company values. This should impact everything from new policies and procedures to hiring practices. Give all of your teams a sense of ownership so that they can work within your company culture. Keep in regular communication with your employees so that you can see how the values are working in the day-to-day operations of your company.

Contact us today to find out how we can help you create a culture that'll allow your company and its employees to succeed.

Before You Sell

If you're considering selling your business or any significant asset, check with us before signing! While there are several reasons to consider doing this, one of the most important is tax liability - you may end up owing more in taxes than you think. In some cases, due to taxes and outstanding debts, you may actually end up with a cash outflow. The adjusted basis of the property and its selling price determine the tax owed - and your basis could be much less than what you expected.

For example: You're a long-time S corporation, and know you lent the business $50,000 in the early years and had significant profits. But you also took significant distributions that reduced your stock basis and the original loan is fully paid. Moreover, the business has some loans outstanding. By the time you pay the taxes and the loans, there may be little or nothing left. The sale of a building or vehicle can have similar results. Both are subject to depreciation that reduce your basis and increase your gain.