

This Month:

- What Businesses Need to Know About Cyber Security
 - The Right Tax Advisor
 - Importance of Accountable Plans

What Businesses Need to Know About Cyber Security

Cyber security is a set of technologies, processes, and practices designed to protect networks, devices, programs, and data from attack, damage, or unauthorized access. If you become victim of a cyberattack as a business owner, there is more at risk than just the loss of data. What about your reputation? How will you contact all your clients and notify them of the breach? What are the consequences of this business disruption other than loss of revenue? Many small business owners feel they are not risk; however, cyber criminals go after any business regardless of size. We encourage you to invest in cyber insurance and take the simple steps necessary to secure your business and your client data. Below are some tips:

Electronic Safeguards

- * Perform regular backups
- * Have secure payment transmission
- * Implement encryption of data
- * Monitor website and security software
- * Hire an IT Specialist
- * Use portals

Employee Management & Training

- * Perform background checks
- * Train employees on system controls
- * Limit access to sensitive data
- * Require sufficient passwords
- * Properly store employee records
- * Develop policies for remote access

Physical Location Security

- * Secure building from the public (alarm, locks)
- * Store customer data securely in file cabinets
- * Have a disposal policy of sensitive data
- * Limit access to upper management offices
- * Maintain inventory records of office assets
- * Plan for emergencies and business disruptions

The Right Tax Advisor

Is your tax advisor right for your business? Your tax advisor plays a key role in the success of your business. So how can you evaluate your options and decide the right tax advisor for you?

What should you be looking for in a tax advisor?

- Clearly explains things to you in a way that is understandable
- Can help solve your problems using their own resources or through a backup system
- Services your account as a priority
- Will give good value for the fee
- Provides information and advice on a regular basis



Unless tax law and reporting systems are your favorite hobbies, you need a tax expert to prepare your return. To the government, your business is simply a series of transactions revolving around taxable income along with expenses. It takes an expert to sort these out to the government's satisfaction. Monthly, quarterly and annual reports are governed by strict regulations. Failure to do things correctly could cost you heavy penalties. It's best to leave these reports to people who work with them every day.

Importance of Accountable Plans

If you often reimburse employees for job-related expenses they incur, accountable plans can offer a significant measure of safety. Reimbursements under an accountable plan aren't taxable to the employee and (with the exception of meal and entertainment expenses) are fully deductible by the employer. For the accountable plan to qualify, reimbursements must be for job-related expenses that the employee would reasonably expect to incur, and the employee must provide substantiation and return any excess reimbursements within a reasonable period of time.

Consider this scenario: A courier business employee picks up and delivers packages using their own vehicles. The company's reimbursements aren't based on the employees' actual expenses but instead, their commissions is split between wages and equipment rental (i.e., use of the employees' vehicles). The employees aren't required to submit mileage or expense documentation to the employer. The employees' wages are reported on their W-2s and the expense reimbursements on their 1099-MICs.

In this situation, since actual expenses aren't reported to the employer, the reimbursements aren't part of an accountable plan. As a result, the "reimbursement" must be included on the employees' Forms W-2 and subject to employment taxes.

While this scenario involves a delivery service, the rules apply to all businesses. Although some exceptions exist, it's best to either include the full amount in wages or require employees to submit detailed expense reports for reimbursement under an accountable plan.

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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.

Planning For Your Dreams