



## **Celebrating our 20th Anniversary**

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**We are pleased to provide you our online informational newsletter which we believe you will find of interest. Each month brief articles on relevant topics will be included, along with a tax calendar for the current and following months.**

**January 2007**

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## **Annual checkup keeps small businesses healthy; don't put it off**

It's no secret that small-business owners wear many hats. In the course of a typical day, the head of a small company might perform the roles of human-resources manager, technical support specialist, chief financial officer, marketing director and staff training coordinator.

In addition to all this, an owner needs to focus on being the CEO of the company, guiding it toward continued growth and profitability. Because this latter role is strategic rather than operational it can be overwhelmed by more immediate needs: preparing for tax season, filling a job vacancy, resolving a computer problem, negotiating with a supplier, checking inventory or dealing with customer-service issues.

The need to address daily demands and crises means critical strategic concerns may get repeatedly postponed. If you are a business owner, it's important to recognize that deferring such key projects as initiating a dialogue with a potential partner, updating the business plan or adopting a quality-control system until a later time can cost your company daily in terms of lost productivity or profits. To prevent this from happening, consider conducting an annual checkup of your business' processes and procedures to help identify areas in need of improvement or fine-tuning. The following tips can serve as a blueprint for the yearly review.

- Update your business plan. Strategic moves will be impossible if you're operating under outdated assumptions. Review the goals you've set for your company to determine if they still make sense given your current business activity and prevailing market conditions. Your evaluation may prompt you to modify or reprioritize certain objectives. For business owners who feel they lack sufficient knowledge or experience for a major undertaking, such as expansion into a new market, it's prudent to work with an outside expert to determine if proposed growth plans are attainable.
- Assess financial systems and procedures. An outdated financial system increases the likelihood of error and impairs your staff's productivity. In addition to hardware and software, make sure your business consistently uses best practices in billing and accounting procedures. Provide key staff members the appropriate training, such as continuing education courses, to give them the most updated information pertaining to financial reporting, tax planning, procurement and payroll.
- Fortify business security. The invasion of a single e-mail virus or worm can cripple a small business and cause significant losses in terms of time, money, data and equipment. Beyond implementing adequate security measures, businesses that do not have a dedicated technical support staff might consider investing in additional training for all employees in proper procedures for protecting the company's systems and electronic files.

- Address employee retention. Many small businesses lose some of their best people to larger competitors that offer more opportunities for professional advancement and career growth. To ensure you're retaining your top employees, review your compensation structure. Look at benefits as well as salary to make sure they're competitive, and be as generous as you feel your company can afford. Keep in mind that the work environment also is a major factor in an employee's decision whether or not to stay with you. In this regard, small companies often have an advantage over big firms in that they can be more creative with policies that address flexibility or work-life balance issues.
- Focus on your strengths to grow market share. Keep an eye on trends and developments in your local market and closely monitor the activities of competitors. Seek feedback from clients, customers, business associates and employees about how the company performs compared to competitors. Identify one quality you would like your company to be known for...superior products, outstanding customer service or innovation, for example...and develop a strategy for further progress in this area.

All businesses face ongoing operational and strategic issues. The unique challenge for small businesses is that they must address these concerns with fewer resources at their disposal. An annual checkup of your processes, systems and human resources capabilities can help you to keep your business humming while allowing time to address longer-range issues that ultimately drive your success.

## **2007 Mileage Rates**

Beginning January 1, 2007, the standard mileage rates for the use of automobiles (including vans, pickups, or panel trucks) are (1) 48.5 cents per mile for business miles, (2) 20 cents per mile for medical or moving purposes, and (3) 14 cents per mile for service to a charitable organization.

The 2006 rates were 44.5 cents for business miles and 18 cents for medical and moving. According to the IRS, the increase is due to higher vehicle and fuel prices during the year ending in October. The charitable rate is unchanged from 2006.

Remember, in order for any mileage reimbursement to be tax free, the business mileage must be documented and the company must retain records supporting the deduction. Should you have any questions about your vehicle deduction, please give us a call.

## **Florida's Minimum Wage Increases January 1**

Florida's minimum wage will be \$6.67 per hour effective January 1, 2007 for all hours worked in Florida. This represents an hourly increase of 27 cents over the current state minimum wage of \$6.40 per hour. The increase in the minimum wage this year represents a 4.2 percent change in the federal consumer price index for urban wage earners and clerical workers in the South Region for the 12-month period prior to Sept. 1, 2006. Employers must pay their employees a wage not less than the amount of the hourly state minimum wage for all hours worked in Florida. For "tipped employees" meeting eligibility requirements for the tip credit under the FLSA, employers may count tips actually received as wages under the FLSA,

but the employer must pay tipped employees a direct wage in an amount equal to the minimum wage of \$6.67 minus \$3.02 (which, as required by Florida's Constitution, is the 2003 tip credit existing under the FLSA), or a direct hourly wage of \$3.65 on January 1, 2007. More information concerning Florida's Minimum Wage can be found at <http://dor.myflorida.com/dor>

## **Social Security Changes for 2007**

The Social Security Administration recently announced numerous adjustments to Social Security benefit amounts, thresholds, limits, and exclusions. For 2007, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 3.3% cost of living adjustment. The maximum benefit for workers retiring, after attaining full retirement age, in 2007 will be \$2,116/month (up from \$2,053/month in 2006).

The wage base for calculating the Social Security portion (OASDI) of the annual payroll tax obligation will be \$97,500 in 2007 (up from \$94,200 from 2006).

## **Tax Calendar**

### **JANUARY 2007**

**January 16**—Individual taxpayers' final 2006 estimated tax payment is due unless the Form 1040 is filed by January 31, 2007, and any tax due is paid with the return.

**January 31** - Most employers must file Form 941 (Employer's Quarterly Federal Tax Return) to report Medicare, social security, and income taxes withheld in 2006. If your tax liability is less than \$2,500, you can pay it in full with a timely filed return. If you deposited the tax for the quarter in full and on time, you have until February 12 to file the return. Small employers who have been notified by the IRS should file Form 944 (Employer's Annual Federal Tax Return).

- ❖ Give your employees their copies of Form W-2 for 2006. If an employee agreed to receive Form W-2 electronically, have it posted on the website and notify the employee.
- ❖ Give annual information statement to recipients of certain payments you made during 2006. You can use the appropriate version of Form 1099 or other information return.
- ❖ File Form 940 for 2006. If your undeposited tax is \$500 or less, you can either pay it with your return or deposit it. If it is more than \$500, you must deposit it. However, if you deposited the tax for the year in full and on time, you have until February 12 to file the return.

**February 28** - The government's copy of Form W-2 and Form 1099 series returns (along with the appropriate transmittal form) should be sent in by today. However, if these forms will be filed electronically, the due date is extended to April 2.

**March 15** - 2006 income tax returns must be filed or extended for calendar-year corporations. If the return is not extended, this is also the last day for calendar-year corporations to make 2006 contributions to pension and profit-sharing plans.