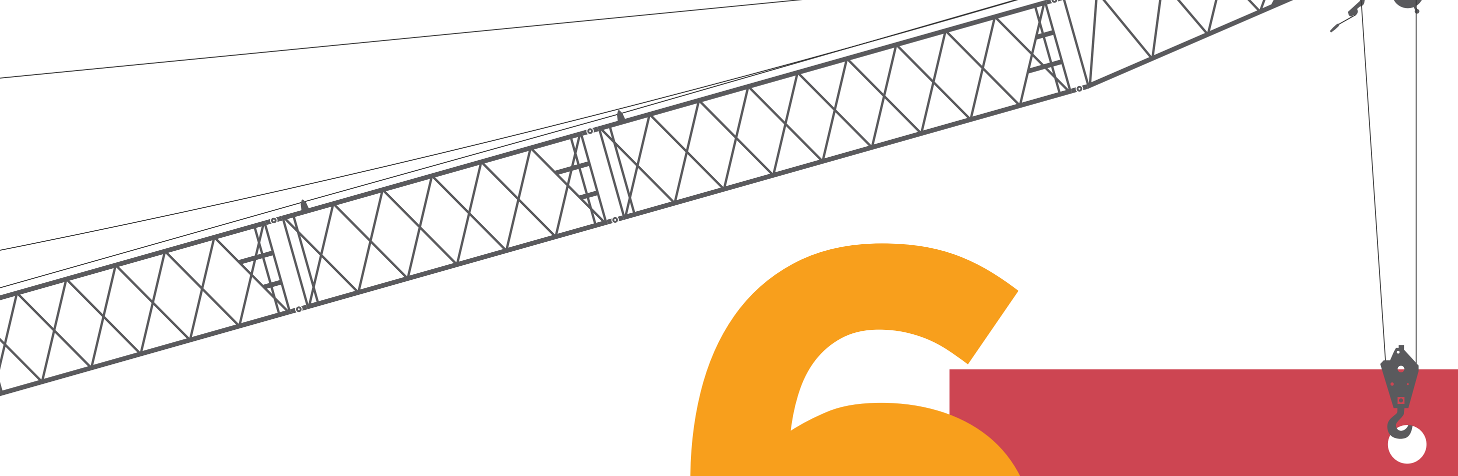

6 QUESTIONS EVERY CONSTRUCTION COMPANY OWNER SHOULD EVALUATE TO FINISH STRONG IN 2014

Whether or not 2014 is a good or bad year for your construction business might **have as much to do with how well you keep up with tax and regulatory changes** as it does with **how much new business you bring in.** That sounds like an exaggeration, but many things have changed this year. Companies that don't keep informed will be vulnerable to being blindsided by those changes.

HERE'S A QUICK CHECKLIST TO HELP YOU DETERMINE WHETHER YOUR COMPANY IS POSITIONED TO FINISH STRONG IN 2014.

1. HOW WILL YOU AVOID POTENTIAL LIABILITIES OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA)?

The one-year postponement of the mandate to provide health insurance coverage to fulltime employees gave some companies a false sense of security, as if they could ignore PPACA altogether until 2015. In fact, numerous aspects of the law came into effect on January 1, 2014, with more following throughout the year. Did you fall into the trap of ignoring PPACA? Let's be clear. PPACA is real, it is impacting businesses today, and the individual mandate will be here very soon. Because PPACA has numerous moving parts and timelines, there is no "one solution fits all." **IF YOU DON'T HAVE A STRATEGY FOR HANDLING PPACA, THE TIME HAS COME TO DEVELOP ONE OR RISK FACING SOME EXPENSIVE CONSEQUENCES.**

2. HAVE YOU IMPLEMENTED CHANGES TO MEET THE NEW TANGIBLE PROPERTY REGULATIONS?

The IRS issued final tangible property regulations in 2013 that went into effect January 1, 2014. While some of the regulations carry over from the temporary regulations issued in 2011, there are substantial changes. Now, without an applicable financial statement (AFS) and a written policy in place, businesses will be forced to capitalize (as opposed to deduct) amounts paid for tangible property that exceed $500. However, with a written policy on capitalization and an AFS, that threshold can be raised to $5,000. In plain English, if you have tangible property purchases in 2014 that are greater than $500 and up to $5,000, you will need an AFS and a written

3. HAVE YOU CONSIDERED THE LOSS OF DEDUCTIONS DUE TO CHANGES IN DEPRECIATION FOR 2014?

For almost a decade, businesses used several accelerated depreciation methods that allowed them to deduct as much as half the cost of an asset in the first year. As of January 1, 2014, those methods became largely unavailable. Over time, you will be able to depreciate the same amount as you could under the old rules. But that first year of significant tax savings is no more. Obviously, this change could severely impact your cash position. Forward thinking companies have planned accordingly. Others may find themselves in a large hole at tax time. **DON'T WAIT FOR THE**

4. IS YOUR CURRENT METHOD OF ACCOUNTING RIGHT FOR YOUR BUSINESS?

Many construction companies start small and use a cash method of accounting. It's simple. When money comes in, it's recorded. When a bill is paid, that's recorded. As a construction company grows, it usually changes to the accrual method. The accrual method gives a more accurate picture of the business's financial health, as double entries are recorded; 1) when the transaction takes place, and 2) when the money actually changes hands. Contractors may also choose to use the "completed contract" method or "percentage of completion" method. The accounting method you use can impact the income you report, when taxes get paid, and the picture of financial health you portray to partners, creditors, and auditors. **A ROUTINE REVIEW WILL ASCERTAIN WHETHER YOUR BUSINESS**

5. IS YOUR CURRENT ENTITY TYPE RIGHT FOR YOU MOVING FORWARD?

There are numerous business entity types including C-Corporations, S-Corporations, Sole Proprietorships, Partnerships, and Limited Liability Companies (LLC). Presumably, when your company was formed, the selection of the entity type was determined by the factors that were most beneficial to it at the time of creation. Today, the most popular entity chosen – by far – is the LLC, which did not even exist until 1977. Because laws governing these entities change on both the state and federal levels, along with the ways in which they are taxed, it is entirely possible that your entity type could be costing you serious money. **TO STOP THE FLOW OF UNNECESSARY EXPENSE YOU MAY BE SUFFERING, MAKE SURE YOUR BUSINESS IS SET UP FOR THE RIGHT**

LLC?

6. HAVE YOU CONSIDERED WHAT YOUR SUCCESSION PLAN WILL BE, WHILE YOU STILL CAN?

Given the number of retirements expected over the next 10 years and the vast amount of net worth to be transferred, you might be surprised to learn that most independent business owners have not created a succession plan. As a result, businesses, families, and creditors often find themselves in a state of uncertainty. To protect their interests, lenders and sureties often seek assurance that some succession plan is in place before extending credit. That's fine, but it's far from the only issue. What about the trust, respect, and goodwill you've nurtured? What will happen to your business? What about your family? **IF YOU HAVEN'T CREATED A SUCCESSION PLAN, ISN'T [illegible]IME?**

If you are unsure of the answers to any of these six questions, don't wait until the last minute to get the help you need. As your accounting partner we will make sure that you have the correct answers and the right plan in place.

AS YOU MOVE FORWARD TO MEET TOMORROW'S CHALLENGES WITH CONFIDENCE, WE STAY FOCUSED ON YOU.

HORNE
CPAs & Business Advisors