

## FOCUS ON ACCOUNTING

## 5 QUESTIONS WITH STEVEN E. FISHER

Certified Public Accountant, Wyomissing Office Managing Partner, RKL LLP



### 1 How is the local economy?

We're generally seeing positive, continued growth combined with caution.

On a positive note, there are a few companies among RKL's local clients that have experienced recent years of record profitability, but this is not the norm. Many of our clients are facing the challenge of constricted margins due to pressure on sales prices and the rising costs of commodities.

They're also seeing their bottom lines negatively impacted as a result of increased salary and benefit-related costs. These issues not only impact a company's cash flow from operations, but also its aggressiveness in investing into new growth areas or equipment and inventory.

Another present challenge for local

employers continues to be finding skilled, technologically proficient workers. We see many of our clients seeking partnerships or building pipelines with community colleges or trade schools to develop and identify employees with the skill sets needed to fill open positions.

### 2 Are business people confident? Why or why not?

Given the local economic trends we're seeing, I would describe the mindset of business people as a blend of hope and reservations.

As we emerged from last fall's presidential campaign and we watch the new administration unfold, there is a lot of uncertainty about what will happen on the federal level. There is optimism that relief will be granted to businesses in terms of reduced regulations, reporting and taxation, but we'll have to wait and see what comes to pass.

For many of our clients that operate on a global scale, issues with trade, political upheaval and the impacts on exchange rates elsewhere in the world are cause for concern. ...

### 3 How do you connect with the community and business community?

Community engagement is a key part of RKL's firm culture. The connections we have built over many years throughout eastern Pennsylvania allow

us to invest in and help improve the places we're proud to call home.

It also affords us the opportunity to keep our finger on the pulse of the business community, so we have a better understanding of the wants, needs and challenges of owners and financial executives throughout the region.

RKL also hosts several events throughout the year focused on education and networking within industries or sectors, like our M&D [marketing and development] growth and profitability forum and our not-for-profit seminar.

Our team's generosity makes a real impact. Last year alone, we supported more than 250 organizations, volunteered more than 10,000 hours and, in one of our many charitable efforts, collected 12,000 school supply items to be used in local classrooms throughout eastern and central Pennsylvania.

### 4 If you could change one thing about the accounting profession, what would it be and why?

The accounting world revolves around a number of deadlines, from tax returns to financial statements. This has the effect of creating a reverse work flow: human nature seems to lead us to work backwards from a deadline instead of thinking ahead.

One of the things that makes me proud to be part of the RKL team is that our firm takes a bigger picture, comprehensive approach to client service. Instead of just

walking our clients from one deadline to the next, we engage throughout the year, play a consultative role in business decision-making and make every effort to pursue new ideas and efficiencies to help them succeed. ...

### 5 What is the best piece of career advice that you have ever received?

Many years ago, an instructor at a course I was attending made a general comment that if there are issues or problems you're facing in your current environment, there are three options: stay quiet and just deal with them, step up and try to be a part of the solution or conclude that you won't be able to successfully make a difference and remove yourself from the environment.

That's one of the things I've tried to keep in mind throughout my professional career as issues have appeared, and it's ultimately what led me to where I am today.

Also, more of a life lesson than career advice, but relevant in both areas, has been keeping in mind that, "If you do the right thing and treat people the right way, the rest will take care of itself."

This is the message that I've hopefully impressed upon not just my team but my two children, who are starting their careers and figuring out how to be successful.

*Editor's note: Appearing periodically, 5 Questions With spotlights a professional's take on the economy and an industry. If you have a suggestion for a subject for this feature, please email Bill Kline at billk@lvb.com.*

## Income tax surprises for fantasy football players, others

By JOHN ROSSI  
Special for Lehigh Valley Business

There are a number of important changes to this year's federal tax laws, in addition to the changes made to tax rates, deductions and credits that are adjusted for inflation every year.

Changes could affect those who travel outside the country, gamble online, file past the deadline and use tax credits.

For example, hidden in the Surface Transportation and Veterans Care Choice Improvement Act, there is a new due date for the foreign bank and financial accounts report.

The date is now April 15, with a six-month extension allowed, not the same extension used to file your tax return.

Think this doesn't apply to you? Think again. If you are an online gambler or play fantasy football, you may be required to file one of these reports.

Meanwhile, the Surface Transportation

Act now requires executors of estates to file Form 706 (estate tax return) with the Internal Revenue Service and furnish the beneficiaries with Form 8971 (information regarding beneficiaries acquiring property from a decedent).

This information provides beneficiaries with the tax basis of property inherited. The document is to be furnished to the beneficiaries no later than 30 days after Form 706 is filed.

#### TRAVELER'S CONUNDRUM?

If you are planning a trip outside the country, the Fixing America's Surface Transportation Act may have a surprise for you.

People with seriously delinquent tax debts (exceeding \$50,000) may have their passport revoked or passport application denied.

Exceptions exist for taxpayers under an installment agreement, suspended collection pending a collection due process hearing and request for innocent spouse relief.

#### PRIVATE COLLECTION FIRMS

Just when identity theft is on everyone's mind – and there are lots of schemes of fraudsters posing as the IRS – the Fixing

America's Surface Transportation Act has another surprise.

To give the appearance that private sector jobs are being created, the IRS now is mandated to use private debt-collection firms.

The new program enables designated contractors to collect, on the government's behalf, outstanding tax receivables.

Section 32102 of the Fixing America's Surface Transportation Act requires the IRS to use private collection agencies for the collection of outstanding inactive taxes receivable.

#### PENALTIES ON THE RISE

The Trade Facilitation and Trade Enforcement Act increases the penalties for failure to file a tax return.

The penalty for filing a tax return within 60 days of the due date, including exten-



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sions, is now a minimum of \$205 adjusted for inflation or 100 percent of the amount required to be shown on the tax return, up from \$135 last year.

Similar to the due diligence rules for the earned income tax credit, the Form 8867 checklist now applies to the child tax credit and American opportunity credit. Tax preparers who fail to follow the due diligence rules will be penalized.

As a result of these new rules, expect an increase in tax preparation fees related its

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**PARALLEL**

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allows you to maximize the effectiveness of your professionals while maintaining your cost requirements.

Adding extra levels to a supply chain only serves to eat up valuable time. Two is the sweet spot.

For example, one organization had 10 suppliers for office supplies. It not only became a nightmare to manage but an impossibility to develop and maintain

meaningful relationships.

When this number was pared to three, the time spent with each supplier was much more beneficial. Purchasing costs didn't change, and procurement professionals spent less time managing relationships so they could focus on other important needs.

**HEALTHY COMPETITION, FLEXIBILITY**

Although a single source supplier has the potential to develop an in-depth knowledge of an organization, the organization's risk might be greater than the benefit. A backup or parallel supplier should be identified, vetted and brought aboard.

The parallel supply chain – especially if there is healthy competition – provides the best option to addressing key areas of your business. If one or both sources happens to be local or regional, it's all the better for collaboration and flexibility.

*Sally Handlon is founder and president of Handlon Business Resources of Bethlehem. Since 2006, her company has been a leading sourcing connection for a variety of regional and global businesses seeking to forge strong supply chain relationships. She can be reached at 484-241-4124 or sally@hbrllc.com.*

**SURPRISES**

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compliance. There seems to be a trend toward shifting responsibility for accurately filed tax returns to tax preparers.

**FUTURE CONSEQUENCES**

In addition, a person who improperly claims a child tax credit or the American opportunity credit via fraud may not claim the credit for the next 10 years.

A taxpayer who improperly claims the child tax credit or the American opportunity credit because of reckless or intentional disregard of the rules may not claim the credit for the next two years.

Beginning with 2016 returns, taxpayers claiming the American opportunity credit must furnish the institution's employer identification number. Educational institutions must now report the amount paid during the year, not the amount billed.

**REFUND DELAYS**

The IRS announced that refunds on all returns claiming either the earned income tax credit or additional child tax credit would be held until Feb. 15.

This is a result of the Protecting Americans from Tax Hikes Act, in order to give the IRS additional time to catch refund fraud.

You can also expect delays of earned income tax credit and additional child tax credit refunds filed after Feb. 15, the IRS will take extra time looking at these returns.

**PERMANENT CREDITS, DEDUCTIONS**

The Protecting Americans from Tax Hikes Act made many of the extenders that we had previously waited on Congress to annually pass either permanent or extended.

This act was passed by Congress and signed into law in December 2015.

Now permanent are the additional child tax credit, earned income tax credit with three or more qualifying children, educator expenses, state and local sales tax deduction, charitable contributions paid directly from an individual retirement account 179 expensing, qualified leasehold improvements and S-corporation built-in gains tax.

**EXTENSIONS**

A tax provision extended through 2019 is bonus depreciation, while provisions extended only through 2016 include the cancellation of qualified principal residence debt exclusion, the tuition and fees deduction and the mortgage insurance premium deduction.

Many taxpayers will be able to amend their 2015 tax return and claim the latter deduction if they paid mortgage insurance.

*John D. Rossi III is a business leader, lecturer, accountant and financial planner with more than 30 years of business and academic experience. An associate professor of accounting at Moravian College in Bethlehem, he is president of JR3 Virtuoso Solutions Inc., specializing in financial reporting, taxation, professional training and consulting services. He can be reached at jdrossi3@verizon.net.*



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