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The NOHRE REPORT

Nohre & Co., S.C.
4228 Southtowne Drive
Eau Claire, WI 54701

Certified Public Accountants & Consultants
Phone: (715) 834-2225 (800) 960-2225
Fax: (715) 833-6750
Website: <http://www.nohre.com>

LOOK BEFORE YOU LEASE

Negotiating a new office lease is an experience that many business owners may rank high on their list of things they don't want to do. For the unprepared it can be a costly and humbling experience. However, by taking some time to prepare and using a little common sense, it is possible for you to walk away with a new office and a lease you can live with.

Plan ahead. Allow plenty of time to find exactly what you want from your new space. Including construction, it may take 6 to 12 months or more from the start of your search to move in.

Know your needs. Take a little time to do an honest evaluation of your business needs. Will you need more space in the foreseeable future, and does your lease provide for expansion/tenant improvements? Would you ever want to sublet some of your space? Is there a chance you might want to terminate before the lease is over? Make sure that your lease has the "gotta haves" in it from the beginning to avoid going back to the table and trying to renegotiate later.

Do your homework. Work with a broker to educate yourself about the going rates for similar offices in your area. Take time to understand some of the commonly used terms you will come across in the negotiation process (e.g., CAM costs, escalation clause, usable vs. rentable square footage, etc.). If you have friends or associates who are familiar with the lease negotiation process, you may want to ask them for some general advice.

Get EVERYTHING in writing. Many are the poor souls who have been subjected to additional costs being added by the lessor, due to vague language in a lease document. If your broker tells you that your rent has a cap on it and can't be increased, GET IT IN WRITING. If your broker tells you that the landlord cannot pass on increased operating costs to you, GET IT IN WRITING. If your broker tells you the landlord can't terminate your lease for his/her convenience, GET IT IN WRITING.

Expect the unexpected. When negotiating an office lease, it's wise to live by Murphy's Law—"Anything that can go wrong WILL go wrong". What if the new office isn't ready as promised and you incur additional expenses in the interim? How would you be affected by the sale of the building? And in the event of the destruction of the building (it COULD happen...), are you still on the hook for rent? Can you sublet space or terminate in case of disability? By making sure that your lease agreement contains provisions just in case things don't go as planned, over the term of the lease you will save yourself time, money, and headaches in the event something does go wrong.

Read the fine print. Once you feel comfortable that you have negotiated the lease to your satisfaction, take some time to really read the document from start to finish. Sometimes issues that have been dealt with verbally don't make it into the final document. If you don't feel confident that you understand all of the legalities, don't hesitate to ask for help from someone who has experience in this area.

BOARD RETREATS AND BUSINESS PLANNING

How many of you have heard of “The Abilene Paradox?” This is a story of a family in Coleman, Texas, who drove a non air-conditioned car to Abilene (106 miles) for dinner on a 104 degree summer day. Although nobody really wanted to go, each person thinking all the others wanted to make the trip, went anyway. Upon return, the individual who suggested the trip dishonestly said “that was a great trip!” All the other family members said, “I really didn’t enjoy it much and would rather have stayed here. I just went along to keep you happy.”**

The moral of the story is that we are frequently (at home, at work) unwilling to express disagreement. Organizations that put a high value on agreement may in fact be on the road to Abilene. We are afraid of being labeled disloyal or not being a team player. Businesses, families, or teams making decisions on inaccurate information foster unwanted actions, frustration, anger and finger-pointing.

Board retreats with an emphasis on business planning may help you prevent a “trip to Abilene.” They are an opportunity to get people talking about issues that need to be addressed. It’s an opportunity to take a hard look at your business and the competition. They are also an excellent mechanism for getting Boards of Directors, CEO’s or General Managers on the same page about goals, priorities and objectives. All organizations need to regularly ask where are we, where do we want to go, how do we get there, how much does it cost, and when do we arrive?

Ever tried putting your management team in a room asking them to think about the future? Hours later they are likely still arguing about how to get organized. A structured approach, using pre-planning session questionnaires, a SWOT (strengths, weaknesses, opportunities, targets) analysis and a skilled facilitator will assist you in discovering where you want to spend your time, money and energy.

***The Abilene Paradox and Other Meditations on Management;* Jerry B. Harvey, Josey-Bass Publishers, 1988.

PAY ESTIMATED TAXES ON TIME

The IRS has made it easier to pay your estimated taxes. It upgraded its Electronic Federal Tax Payment System (EFTPS) so that you can now schedule a full year’s estimated tax payments during one online session. Previously, you could schedule only one quarterly payment at a time. Since 1996, more than 4 million tax payers have used the EFTPS system.

Here’s how it works: Log on to www.eftps.gov and complete the online enrollment form. You’ll be asked for your Social Security number and the bank account you want the payment taken from. Within three weeks or so you’ll be mailed a PIN number and instructions on how to obtain an Internet password for security.

With your PIN number and instructions, you can go online up to 8:00 p.m. ET of the day before your tax due date and schedule a payment. EFTPS then debits your payment from the designated bank account and updates your tax records with the IRS. Using your PIN number and password, you can also review your payment history for the past 16 months. The service is free. If you prefer to enroll by phone, call (800) 555-4477 or (800) 945-8400.

ARE YOU DEPOSITING YOUR 401(k) PARTICIPANT CONTRIBUTIONS ON A TIMELY BASIS?

Employee contributions to a 401(k) plan are required to be made on a timely basis but no later than 15 days after the end of the month.

The Department of Labor (DOL) is enforcing the requirement that 401(k) withholdings be deposited on a timely basis. The DOL does not consider deposits made within the 15 day rule to be on a timely basis if the employer can segregate the assets at an earlier point.

One of the considerations used by the DOL is how soon after the payroll date the employer pays the payroll taxes. If the contributions are not being deposited on a timely basis, this is considered to be a nonexempt prohibited transaction which is subject to penalty to the employer.

PERSONAL FINANCES

Many Americans are becoming increasingly worried about their personal finances according to the Consumer Federation of America and the Financial Planning Association. Although the financial problems of many people stem from a lack of adequate saving, frequently they are caused by common financial planning errors and investment mistakes. Among the most painful mistakes are those that impact on their retirement funds. Some of the most common mistakes are:

- Neglecting to consider the need for long-term care.
- Not incorporating the effect of inflation and taxes into their projections.
- Failing to maximize retirement set-asides in the years preceding retirement.
- Overestimating the amounts that can be safely withdrawn without prematurely exhausting the retirement fund.
- Taking excessive investment risk.
- Underestimating life expectancy.
- Misjudging expenses in retirement.

One of the advantages of letting us help you with personal financial and retirement planning is that it shifts the focus to a trained objective outsider who can provide ongoing guidance for building your retirement nest egg, and relieve you of the preoccupation with financing a comfortable retirement.



Newspaper Bloopers

"Socks Fall Amid Interest-Rate Worries"

"Personal Coping Machine With Paper Supply"

"Cheerful, conscious, upbeat person wanted to work in chiropractic office."

"Hall of Fame to Indict Nine New Members"

"Public Auction Saturday - Cash or Good Chick, Positive ID Required."

"For sale - one executive desk, one secretarial desk with chains."

IS YOUR FAMILY MEMBER AN EMPLOYEE?

If your spouse or children are employed by your company, their employment may become scrutinized if you are audited by the IRS. To properly comply with what the IRS considers to be an employee you must maintain the following records as proof of employment:

At Employment:

- If a family member is employed they should have a written employment contract. This contract should include hours to be worked, compensation, benefits available, job duties and anything included in other employees' job contracts.
- The family member should have a job description that explains his or her duties.
- The family member's compensation should be equivalent to that of any other person in that same job or at any other business.
- The family member should have a W-4 and your state's equivalent on file with your company.

During Employment:

- Make sure there is some type of time tracking system in place.
- The family member needs to be paid as often as other employees.
- The family member must receive a Form W-2 at the end of the year.

Builder's Credit

Builders get a credit for energy-efficient homes built after 2005 that are sold in 2006 and 2007. The maximum credit is \$2,000 per house. Contact our Tax Department for additional information.

Theme Songs

Army Cook: "It Had to Be Stew"

Wrestler: "You Made Me Shove You"

Pastry Chef: "There's a Whole Lotta Bakin' Goin' On"



Meet the Nohre Staff



Gary L. Gochanour, CPA

Phone: (715) 833-6748
Toll Free: (800) 785-8570
Fax: (715) 833-6750
Email: garyg@nohre.com

In 1989, Gary received his Bachelor Degree in business with a Comprehensive Accounting Major from the University of Wisconsin – Eau Claire, and is a Certified Public Accountant (CPA).

Gary began his professional career in 1989 with a local CPA firm and banking. Gary specializes in manufacturing and distribution, insurance, and general accounting.

Areas of Expertise

Tax Planning and Preparation
Small Business Consulting

Audit Review, and Compilation Service
General Business Consulting

Organizations

American Institute of Certified Public Accountants (AICPA)
Wisconsin Institute of Certified Public Accountants (WICPA)
Eau Claire Athletic Club
Hope United Methodist Church
Eau Claire Chamber of Commerce

Interests

Hiking, fitness, golf and kid's activities

The **NOHRE** **REPORT**

NEWSLETTER POLICY

This newsletter is designed to present information on business and tax matters in general terms and is not intended to be used as a basis for specific action without obtaining further advice.

Editor: Al Mazorol

Please forward comments to newsletter@nohre.com
