

Vacation-proof your business: Automate the boring, enjoy the time off

Stepping away from your business – even for just a long weekend – feels risky for many owners. If you can't leave your business for a week without stuff running off the rails, automation may be your answer.

► **Automate communication without losing the personal touch.** Set up out-of-office replies that do more than say I'll get back to you. Include links to FAQs, your calendar for booking meetings, or alternate contacts who can handle urgent issues. Also consider using help desk platforms that let you create a knowledge base and ticketing system so customers can get answers when you're offline.

► **Schedule marketing in advance.** You can plan your content and marketing calendar in advance and use automation to keep everything moving while you're away. Social media posts can be created ahead of

time and scheduled to go out like clockwork. The same goes for email marketing. Newsletters, announcements, and other promotions can all be pre-written and queued.

► **Systemize sales and client onboarding.** These are two areas where many business owners feel the need to stay connected. But with a structured process in place, new leads can move through your sales funnel without needing direct input from you. Instead of going back and forth by email to schedule a call or meeting, you can set up an automated calendar system.

New clients can also be guided through onboarding automatically. Contracts, invoices, welcome packets, and instructions can all be delivered through a sequence that kicks off the moment someone signs up or makes a payment.

► **Outsource what you can't automate.**

Not every task can be handed over to a system. Some things still need human oversight. But that doesn't mean it has to be yours. With a bit of prep, you can delegate the rest. Hiring a temporary assistant or a part-time team member during your time off can provide that human coverage. Before you go, document your most common processes, either with a simple guide or a few quick screen recordings.

► **Run a vacation drill before you go.**

Don't wait until you're thousands of miles away to find out your system has holes. Test it. Pick a day, go fully offline, and watch what happens. Were messages answered? Did sales still come through? A trial run reveals weak spots while you still have time to fix them. Once you've fine-tuned your setup, you'll know your business can stand on its own, at least for a little while.

So build the system. Take the break. And finally, enjoy the time off without the stress of everything falling apart. You've earned it. ♦

NOTE: This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

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► **Inside this issue**

New tax law: Strategic moves for business owners **2**

The hidden tax perils of mixing personal & business finances **3**

Cash Flow Corner **3**

Quick ways to boost cash flow without new sales! **4**

Tax & Business letter

FALL 2025

Business changes in the new tax bill: Key highlights

The One Big Beautiful Bill Act of 2025 introduces a number of business-focused updates, including enhanced tax breaks and eased reporting requirements. Below is a summary of the key changes affecting businesses:

Qualified Business Income (QBI) Deduction Is Now Permanent

- The 20% deduction for Qualified Business Income is now permanent. It was set to expire in 2026.
- A minimum deduction of \$400 is introduced for taxpayers with at least \$1,000 in QBI.

Expanded Employer-Provided Childcare Credit

- The credit rate increases to 40% of qualified childcare expenses (up from 25%).
- The maximum credit allowed rises to \$500,000, up from the previous \$150,000.
- Small businesses can also deduct 50% of qualified expenses, with a credit cap of \$600,000.

Research & Experimental (R&E) Expensing Is Back

- Businesses can now fully deduct domestic R&E expenses.
- This change applies from January 1, 2025 through December 31, 2029.

Higher Reporting Thresholds for Form 1099

- **Form 1099-NEC and Others**
 - The reporting threshold increases from \$600 to \$2,000 starting in 2026.
 - This threshold will be indexed for inflation starting in 2027.
- **Form 1099-K**
 - The scheduled \$600 threshold for 2026 has been rolled back.
 - The threshold of \$20,000 and 200+ transactions is reinstated.

Bonus Depreciation Is Reinstated

- The 100% bonus depreciation is back for qualified property.
- Applies to property acquired and placed in service between January 19, 2025 and December 31, 2029.

Section 179 Deduction Limit Is Doubled

- The maximum deduction increases to \$2.5 million, up from \$1.25 million.
- This supports greater upfront expensing for qualifying business assets.

IRS Can Deem Certain Distributions as Taxable

- The IRS is now empowered to reclassify certain partnership distributions as payments for services.
- This can occur without the need for final regulations.
- This targets arrangements where service payments are disguised as profit distributions (typically taxed at lower capital gains rates).



IRSTAX NOTES

Be prepared for higher business taxes

Many tax rules contained in the Tax Cuts and Jobs Act (TCJA) are scheduled to sunset at the end of 2025.

Consider the following as you plan for the potential impacts of any possible changes:

- **Review your business tax rates.** With potential changes to individual tax rates applied to flow through earnings, it may be worth reassessing whether your current business structure (C-Corp, S-Corp, LLC, Partnership or Sole Proprietor) is optimal.
- **Review your Qualified Business Income (QBI) deduction.** Pass-through entities like LLCs, partnerships, and S Corporations should evaluate their options if individual tax rates increase and the 20% QBI deduction expires.
- **Consider the expiration of individual tax provisions,** such as lower individual income tax rates and the elimination of the \$10,000 SALT limitation, as these changes may affect owners who report business income on their individual tax return.

Explore ways to reduce costs, such as automating, when serving customers who buy from you but are expensive to serve. ♦

Tax CALENDAR

SPRING 2025

April 15, 2025

- ☐ 2024 individual income tax returns are due.
- ☐ First installment of 2025 individual estimated tax is due.

June 16, 2025

- ☐ Second installment of 2025 individual estimated tax is due.



5 numbers that will make or break your business



Regardless of the type of business you're running, actively monitoring a few key numbers is often what's needed to keep your company growing and prosperous.

A company's key indicators often fall into one or more of the following categories:

▶ **Order volume.** Find the key metric of orders that makes sense for your business. Measure these orders versus last month and last year. Then look at year-to-date numbers and compare them to last year. Are you selling more units over time? Tracking revenue alone may present a false picture. After all, revenue may be growing because prices are increasing. If unit sales are declining, you might be losing market share.

▶ **Breakeven point.** Determine how much gross margin (sales minus cost of goods sold) you need to cover your ongoing expenses. These ongoing expenses like rent, supplies, utilities, advertising, insurance and others should be totaled and divided by twelve to determine your average monthly breakeven point. You will need a gross margin that averages above this breakeven point to show a profit at the end of the year. If you're dipping into reserves to cover revenue shortfalls, adjustments may be required. So calculate and know this number for your business.

▶ **Liquidity.** Knowing whether there is enough to pay your bills now and into the future is key. So create and maintain a 12 month financial forecast. This includes both your

income statement and balance sheet. Then translate it into a statement of cash flows. If done correctly, you can calculate the number of months of cash reserves to have. Then plan accordingly to ensure the proper liquidity is available.

▶ **Inventory Turnover.** This number shows how many times your company sells and replaces inventory during a given period. The higher the number, the better. Assume your company's cost of goods sold for 2025 was \$100,000, beginning inventory on January 1, 2025 was \$10,000, and ending inventory on December 31, 2025 was \$15,000 (for an average of \$12,500). Your cost of goods sold of \$100,000 divided by \$12,500 equals a turnover ratio of 8.0. Banks and investors love to look at this number as the higher the turnover, the less likely you cannot change the inventory back into cash by selling it.

▶ **Payroll (and Contractor) Percentage.** Take your total payroll costs (including benefits) add contractor costs and divide it by net sales. This percent of sales is then compared to budget and prior years. Try to maintain or shrink this percent. Don't forget to add part-time and contract workers to this total, as many businesses are relying more on this source of workers in this tight labor market.

Over time your business's vital numbers may change. The key is to know your company, identify changing conditions and adapt. ♦



Move over, big box retailer!



In today's Amazon-dominated marketplace and big box retailers, one would think there's no longer a place for small businesses. Yet, many small businesses not only survive, but thrive! Here are some ideas to help you compete amongst the giants.

Know your point of difference

Why do your customers come to you? Is it convenience? Is it your friendly staff? Is it your added services and help? If you aren't sure, start watching and asking customers. Be curious. The answers are there, so look for them and then focus on what makes your business tick.

Don't compete directly

If it was all about price, no small retailer or service provider would exist. While consumers like a lower price, they also want to buy from someone they can talk to and who can actively solve their problem. This is something big box retailers can't do. And have you ever tried to talk to an actual person at Amazon? Good luck. So don't go head-to-head on price with a larger rival, focus instead on providing value at competitive prices.

Capitalize on small business strengths

Small businesses have advantages, too. They're generally more agile and can adapt quickly to changing trends and market developments. With fewer employees and less bureaucracy, a small company can streamline processes and respond quickly to the needs of its clientele. Unlike the CEO of a Blue Chip company, a small business owner can generate loyalty by interacting directly with customers in person, through personalized emails, or via handwritten thank you notes.

Tap into niche markets

Big companies tend to focus on broad demographics. They make purchases and investments based on national or regional sales trends. As a small company, you have the opportunity to reach specific markets more effectively. Dig deeper to find untapped subcategories within your market.

Hire (and retain) the best employees

Small businesses can be great places to work. Workers at small companies often enjoy greater freedom to innovate and may directly share in the firm's profits. If those benefits are coupled with in-depth training and a pleasant work environment, customers will reap the benefit of outstanding service. A big retailer may have more employees, but your business can have outstanding employees. So be willing to reward the good ones and do not tolerate employees that are not willing to go the extra step to make your customers happy.

Remember, there's room for a small business that responds to customers immediately, does what they say they will do plus a little more, and always leaves their customers with a smile on their face. ♦



CASHFLOW CORNER

3 strategies to strengthen your cash position

Here are three practical strategies to enhance your business's cash position.

- **Speed up customer payments.** The longer your customers go without paying you, the longer you go without the cash you need to pay your bills and grow your business. Actively manage your accounts receivable by encouraging timely payments from your customers.

Action Steps: Stay on top of your accounts receivable activity by creating an aging report of your invoices at least once a month. Consider offering incentives for early payment and closely monitor slow payers. Identify problematic accounts and take proactive measures to prevent future issues.

- **Quickly turn your inventory.** Inventory that sits on your balance sheet isn't making you any money. Try to sell your inventory as quickly as you can and deploy that money back into your business. Also review other assets on your balance sheet, such as equipment and other fixed assets, to identify items you aren't using anymore. Consider selling these items as another way to increase your cash position.

Action Steps: Calculate average inventory turnover (cost of goods sold divided by average inventory) for your business once a month. Then develop a plan to try and improve this key performance indicator over the next 12 months. One idea to consider is improving your forecast of what your customers want to buy and when. Then use this forecast to make inventory purchases just-in-time to sell to your customers.

- **Improve profit margins.** Boost your business's cash position by building better profit margins. With higher margins, more revenue can be reinvested back into the business or set aside to build an emergency fund.

Action Steps: Conduct customer research to determine how much you can raise your prices. Also consider if there are new higher-margin products and services you can start promoting. Also regularly review your expenses to identify unnecessary expenses that can be cut. Take a look at areas of your business that can be automated so you can optimize labor and other overhead costs. ♦

MAIN

STREET