



AMERICAN SOD PRODUCERS ASSOCIATION

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COMPACT CARS NOW COST 43¢ A MILE

According to the Hertz Corporation, the typical new compact car will cost you 43.28 cents per mile to own and maintain. This figure includes depreciation (13.71¢), insurance and licensing (9.98¢), gasoline (8.38¢), interest (7.66¢), maintenance and repairs (3.55¢), and is based on driving 10,000 miles a year for five years.

Mid-sized autos cost 45.46¢ per mile, intermediates 49.45¢ and full-sized cars, 55.42¢.

The Hertz national study found that motorists, over the past ten years, have been driving less, keeping cars longer, and purchasing smaller cars with fewer options.

SURVEY IDENTIFIES FACTORS TO ENHANCE PRODUCTIVITY

If you want to increase productivity, the results of a survey conducted by the Public Agenda Foundation of New York may shed some light on possibilities. In the order of their ranking, here's what the survey found would most often cause a person to work harder: good chance for advancement, good pay, pay tied to performance, recognition for good work, job enabling person to develop abilities, challenging job, job allowing the person to think for himself, a great deal of responsibility, interesting work and jobs requiring creativity.

If you're interested in making a job more agreeable, the study found these factors rated the highest: a job without too much rush or stress, convenient location, workplace free from dirt, noise and pollution, working with people you like, getting along well with a supervisor, being informed about what goes on, flexible workplace, flexible working hours, good fringe benefits and fair treatment in workload.

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TAXING MATTERS

DEDUCTING EXPENSES FOR LEGITIMATE TRAVEL REQUIREMENTS not only saves the firm tax money, the trip itself may very well increase income or decrease other expenses. Within the U. S., the cost of a business trip may be deducted from gross income if the taxpayer is able to prove that the trip was necessary to the course of his business and he is able to substantiate his claims with proper receipts.

Deducting a spouse's travel expenses may also occur, providing that her purpose also had a bona fide business purpose.

Travel within the U. S., Canada, Mexico and some Caribbean nations requires the same proof as far as the IRS is concerned. Outside these areas, it becomes much more complicated and allocations between business and pleasure are usually expected.

Regardless of where you go, proving expenses requires the same care and concern. Here are a few tips to help you:

1. charge deductible expenses whenever you can;
2. make a note directly on your copy of the charge slip stating what the expense was for and when it was incurred;
3. receive and keep an itemized listing of hotel or airline charges to further support your charge slip;
4. review itemized lists immediately to note any nondeductible items such as bar bills or movie tickets;
5. if you use cash, make a diary entry as you spend the money (it will be a lot easier than trying to recreate your expenses later); consider using a small tape recorder in place of handwritten notes.

The time proven key to taking tax deductions for travel...Documentation.

GRACE COMMISSION REPORTS ON U. S. GOVERNMENT INEFFICIENCIES

The chief operating officer of President Reagan's Private Sector Survey on Cost Control, popularly known as the Grace Commission, recently reported some of the 2,478 mismanagement findings they have found. Here is a sampling:

"The government employs 250,000 people to man 17,000 computers, and 50 per cent of those computers are so obsolete that vendors will not service them.

"The government has 332 incompatible accounting systems that make it impossible for anyone to put his hands on the pulse of federal spending.

"It took this country (U. S.) 186 years to get to \$325 billion budget. It took six years for it to double to \$650 billion. It has taken two years for it to reach \$850 billion, and this year we are headed over \$900 billion.

"Tax increases are not the answer to reducing the federal budget deficit. In our nation's history, tax increases have never been applied to reducing the deficit. Instead, they have been used to finance new programs and benefits."

COURT DEFINES "ORDINARY" AND "NECESSARY" EXPENSES

The U. S. Supreme Court has now defined when a business expense may be deductible under the heading of "ordinary" and "necessary."

The court said that an expense is "ordinary" if it can be expected that other companies in the same trade or business would commonly incur such costs. They do not have to be normal or habitual, as long as they are common to others in the same or similar business.

"Necessary," according to the court, is what is appropriate and helpful in developing or carrying on the trade or business. Apparently, the court is saying that "necessary" does not mean "imperative."

The decision also implied that both ordinary and necessary conditions must exist for an expense to qualify as a legitimate business deduction.

BUSINESS MEALS ARE DEDUCTIBLE, IF...

If meals are provided within an employer's business premises and are arranged for the employer's convenience, the Tax Code's Section 119 protects against disallowance, but that's where the "easy" business meal deductibles stop.

Taxpayers most often challenged are self-employed, partners and corporate officers and owners, especially if the expenses are not reimbursed by the company.

Business meals that are paid for while not travelling away from home must have an actual business purpose and be fully documented or they will face IRS disallowance.

CORPORATE MINUTES MAY TAKE HOURS, BUT CAN SAVE YEARS (SERVED)

According to the May, 1984, "Small Business Report," corporate minutes can be invaluable when faced with an IRS challenge of unreasonable compensation, excessive accumulated earnings and other related issues.

In addition to being up-to-date, the magazine article recommends that corporate minutes must include the following:

- "Items that justify the reasonableness of accumulated earnings, including the purpose for retaining the funds, plans for use of the funds, etc.

- "Dates of dividend distributions.

- "Justification for the reasonableness of a shareholder-employee's salary.

- "Authorization of advances to shareholder-employees. These should be documented as loans in order to help avoid reclassification of the advances as salary or constructive dividends."

STRATEGIES FOR PLANNING A TAX STRATEGY

Whenever you are devising a tax strategy, several points should be kept in mind, especially well before the tax filing date arrives.

Include in your strategy these considerations:

The time value of money must be included in your plan. Paying an expense early to obtain a tax deduction must be weighed against the cost of early payment in terms of lost interest.

Interest payments can be deducted only in the year in which they are paid.

Income cannot be deferred by holding checks for deposit the next year, nor can deductible expenses be accelerated by writing checks and holding them for release in the next tax year.

Interest income can be deferred if the taxpayer enters into an extension agreement with the debtor before the payment due date. However, the extension's purpose cannot be simply to defer income.

WHY MARKETING PLANS FAIL!

"Lack of sales many times is not the result of poor sales techniques but the failure to offer a product or service that meets the market's requirements. Action without effective planning is a sure road to failure."

George Kalidonis, executive director of Technology Illinois, Inc., in a recent business magazine, made the above comment and then suggested why marketing programs fail. According to Kalidonis, there are four common sets of problems:

"A lack of consistency. Effective marketing requires an ongoing commitment, not just at a time when extra funds are available.

"Spreading of too few dollars over too ambitious a program. Whatever is done should be done well consistently.

"Expectation of an immediate profit payback from the marketing investment. Marketing activities have a cumulative effect. While it is reasonable and necessary to expect significant immediate results, marketing plans should not be evaluated in the shortrun on a strict return-on-investment basis.

"Inappropriate marketing plan goals. Marketing plans should focus on goals such as total unit sales, number of customers purchasing, orders per customer, first-time orders, repeat orders, system sales and market share.

Marketing plans, according to Kalidonis, should be written down so they can be compared to actual performances.