



# BUSINESS MANAGEMENT

AMERICAN SOD PRODUCERS ASSOCIATION

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## "ESTATE & FINANCIAL PLANNING SEMINAR" READY FOR ASPA MEMBERS

Identified by ASPA's Legal and Taxation Committee as the number one priority for the year, a special one-day Financial Management Series seminar will be held just prior to the 1985 Midwinter Conference in Florida. On January 30, at the Walt Disney World Contemporary Resort, three experts in the fields of equity growth, retention and transfers for sod farms will make presentations and respond to the unique questions posed by sod operations.

To encourage spouses, partners and adult children to attend, registration fees have been set at \$125 for the first ASPA member from the company, with only \$75 being charged for each additional registrant from the same company. Registration forms are contained in the center of the September/October "Turf News" magazine.

In addition to an examination of the technical and legal taxation questions by ASPA's Legal Counsel Bill Harding, farm insurance specialist Francine Jacoby and CPA Royce Ruckman will discuss the philosophical and practical considerations necessary to sound financial planning. All of the speakers will direct their comments to current plans required for the best utilization of a sod farm's equity, as well as favorable alternatives to transfer the equity to a spouse, future generation, partner or outside purchaser.

Although registration is limited to ASPA members, anticipated interest in the seminar suggests that early registration will best insure that a place in the seminar room will be reserved.

Additional registration forms may be obtained by contacting ASPA Offices at (312) 449-2890 between 8:30 a.m. and 5:00 p.m. (Central Time).

**DID YOU KNOW THAT...** Sound estate planning may also carry some income tax advantages.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that this publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought. Published bi-monthly for members of the American Sod Producers Association, under the auspices of the ASPA Business Management Committee. We invite your comments and recommendations.



## A TAXING MATTER FOR THE ELDERLY'S WAGES

While there may be some confusion about how and when to tax the wages of elderly employees, there shouldn't be. Elderly employees are taxed exactly like all other employees, regardless of amount, age or even receipt of Social Security benefits.

According to editors of the ADP newsletter, "Tax Researcher," "There are no special tax privileges extended to the elderly regarding taxation of wages. No particular variations are established in their behalf and they are taxed similar to any ordinary citizen."

The report continued, "The elderly are also required to pay Social Security taxes. Upon reaching the age of 65, 70 or 72, a person does not become exempt from Social Security tax. Social Security tax is payable on all payments made to employees for services rendered regardless of age. Receipt of Social Security does not exclude wages from tax either."

## EMPLOYEE TRAVEL TIME: WHEN AND WHEN NOT TO PAY (MAYBE)

Determining when and when not to pay for an employee's travel time can be a difficult, costly and legal question. The answers are not always totally clear, although better guidelines are evolving. The following generalities can be considered, but caution and attention should be used before making a hard and fast decision.

First, the easy question. Once an employee does any work at any site and then travels to any other site to perform work, the travel time must be included in the total number of hours worked that day. Scheduling work sites to reduce travel time and insuring that an employee has everything he needs before proceeding to a new site can save time, improve productivity and reduce overhead.

Now, the more difficult question of travel to the first job site, or after the last site. The US Federal Wage and Hour Law administrators insist that three tests must be met in order to avoid payment for travel time. The tests require that the travel activity consists of walking or riding (apparently driving would constitute work, at least for the driver); it must occur before or after the employee's principal work activity of the day; and there is no contract, custom or practice that would require payment.

The definition of "work" is not an easy one to get a firm grasp on, but in practice, nearly any activity requiring the employee to pay attention to anything will be considered work under the law. For example, reporting to a central location, but not the actual job site, and receiving instructions and directions for the day's activities is work. So is loading or unloading equipment, supplies, tools, etc. Reporting at day's end on the results and accomplishments will probably also constitute work. In each of the examples, the travel that follows is compensable time and must be included in the number of hours worked.

The need to understand the law and its practice is important because of its effects on determining minimum wage levels or overtime pay.

DID YOU KNOW THAT...Without proper planning, a large part of the unified credit could be lost.

### EMPLOYERS OF TEMPORARY FOREIGN WORKERS BE AWARE OF "AEWR" AND COMING CHANGES

Anyone employing temporary foreign workers (nonimmigrant aliens) for farm work must be alert to the existence of Adverse Effect Wage Rate (AEWR) and pay their employees accordingly...we think.

The AEWR is a wage level determined by survey at the US Department of Agriculture for the US Department of Labor. In its ideal form, the AEWR establishes a wage rate that will assure employers of an adequate labor force while protecting the jobs and pay-rates of citizens.

The current methods of determining the AEWR are now under study by both the USDA and DOL, with comments having been sought through an announcement in the "Federal Register

Simultaneously, a Federal District Court Judge has ruled the current methodology is "arbitrary and capricious" and has invalidated its use, at least in New York, Maryland and Virginia. The DOL is expected to appeal the case, but other cases are also now pending.

The matter is in a state of flux, if not confusion. It is suggested that employers with temporary foreign workers on their payrolls should determine at their state level what the AEWR is for them and whether it is applicable to their particular situations.

ASPA will attempt to keep its members advised of developments, changes and final decisions in this matter. We'll attempt to be aware of AEWR.

### AVOID HOLDING THE BAG WHEN BANKRUPTCY HITS YOUR CUSTOMER

You don't have to be last in the line of creditors when one of your customers files for bankruptcy, if you take a few simple precautions and reasonable safety checks along the way.

According to a newsletter distributed by ASPA's insurance agency, four steps can help you collect money due, even when a bankruptcy is filed. Here are the four questions you should seek answers to:

1. Was the information on which you extended credit to the customer accurate? If not, you may be able to petition the court for immediate repayment.
2. Is there reason to suspect that the customer used company assets for some other purpose? If he or she bought other assets before filing, the court may seize those assets for creditors.
3. Are you on the official list of creditors? If so, you will share in the payments extracted by the court.
4. Is the money due you secured, and were the proper legal papers filed to effect the lien in a timely manner?

If bankruptcy, or the threat of a filing, is the reason one of your customers is not paying you, investigate immediately. If you ask the right questions, you will stand a better chance of recovering the money you are rightfully owed.



## LEASING EMPLOYEES...A PLAN FOR FUTURE CONSIDERATION

"Fire" all of your employees and then lease them back from a leasing company? While it may sound crazy, there are now a few West Coast firms in the employee leasing business and more are expected in the future...with good reasons for both the employer and employee.

Under today's laws, almost every benefit must be offered on a totally nondiscriminatory basis to all employees, thus for example, the days of "top heavy" pension plans for the owners and principals have been eliminated. That is, unless you lease your employees, and their benefits package then becomes the responsibility of the leasing company.

Existing employee leasing companies simply assume all of a firm's existing employees on a specified day, but the original employer still retains all rights to hiring and firing. The leasing firm charges 3-6% of the payroll for its services, which results in an overall cost of about 35% of the monthly base payroll. Because of the cost of fringe benefits, the typical payroll is over 47% higher than the base payroll, thus a substantial savings can be realized by the original employer and he can eliminate the payroll/personnel department.

While the employer saves on employee costs, the employees also apparently gain improved benefits because of "group" plans.

ASPA would be interested in learning about any of its members who have utilized this type of arrangement in their operations. Please write or call ASPA.

## ACCOUNTS PAYABLE CHANGE RESULTS IN LARGE SAVINGS

"Action Letter," the Associated Landscape Contractors of America publication, offered new insights about how modifications to accounts payable handling can yield large savings for the firm.

Changing payment methods was one of their suggestions that has applications to all businesses. If you would like to receive the equivalent of an interest-free loan on your monthly accounts payable, follow this recommendation and method.

First pay all invoices that earn an early-payment discount on the 10th and all others on the 25th of the month following receipt. This effectively stretches out the payment period, depending on when the invoice is received. Using ALCA's example, "assume that between discounted and full-term payments, you've been averaging 20 days per dollar owed and you pay out \$20,000 a month (\$240,000 a year) to your major suppliers. Let's say that after changing over to the new schedule, you average 40 days per dollar in paying. Under the new system, you're holding on to each dollar for an additional 20 days (on average). That's the same as receiving an interest-free \$20,000 loan (the amount of your monthly accounts payable payout) for 20 days each month."

DID YOU KNOW THAT...The nontax considerations will become the most important element in setting up a coherent financial plan.

The unlimited marital deduction makes planning for the first death seem easier, but can cause greater future tax problems.