



BUSINESS MANAGEMENT

AMERICAN SOD PRODUCERS ASSOCIATION

4415 WEST HARRISON STREET
HILLSIDE, ILLINOIS 60162

FIRST CLASS MAIL
U.S. POSTAGE
PAID
Hillside, IL 60162
Permit No. 217

Rush to:

FILE

AUGUST / SEPTEMBER, 1986

LONG-TERM DISABILITY INCOME INSURANCE COULD PROVE MORE IMPORTANT THAN LIFE INSURANCE

...If you're 22 years old, your chances of being disabled for three months or more are seven and a half times greater than dying.

...If you're between 35 and 65, you stand a seven in ten chance of being disabled for at least three months.

Becoming disabled as an owner of a sod farm may not be as disastrous as it would be for a wage-earning employee, but the consequences of increased expenses and decreased income will affect everyone. One way to calculate disability income needs is to compute the family's annual living expenses and then subtract such sources of income as the spouse's salary, investments, Social Security, etc., yielding the amount of income protection needed.

Factors to consider in purchasing disability income insurance would include the definition of disability; the minimum benefit; rate of benefit; benefit period and the qualification period. Each of these items will directly affect the premium level and should be examined carefully.

ASPA is currently exploring the possibilities of offering the membership a disability insurance program that would be competitive with other programs and perhaps offer a significant savings. Because disability income insurance can be renewed on an annual basis, there is no need to delay purchase while awaiting the potential announcement of an ASPA program.

WHILE CONGRESS CONTEMPLATES A NEW TAX BILL...
SOME TIMELY TAX TIPS TO HELP IN THE COMING YEAR

Before implementing any of these tips, please consult with your own tax accountant and/or attorney to insure that they conform with other aspects of your operation and filing needs.

-- Consider Postponing 1986 Income... the tax bill now in Conference Committee should result in tax rate reductions to a maximum of 38 percent (as proposed in the current House bill). Postponing 1986 income into 1987 could well become a significant tax-cutting strategy. Planning a strategy now that can be implemented when the tax reform is finalized could yield considerable savings.

-- Installment Sales Can Defer Taxes... sod producers on the accrual method of accounting usually pay tax on year-end receivables, even though the cash is not received. Such income can be deferred simply by modifying the sales terms.

By having customers pay in at least two payments, only the money actually received during the year is considered taxable income for that fiscal year.

IRS approval is not required to adopt or change to installment reporting, but careful planning and implementation is required to avoid an IRS challenge, increased bookkeeping costs and unwanted delays in cash flow.

-- "Cafeteria" or "Flexible Benefit" Plans... ASPA's financial consultants, Ernst & Whinney, call this the hottest employer-sponsored fringe benefit. According to their newsletter, cafeteria plans offer substantial employer and employee tax savings at little cost to the employer. In the simplest form, a cafeteria plan allows an employee to redirect a portion of his salary to be used to provide certain fringe benefits on a before-tax basis. Two typical examples would include the employee-paid portion of health insurance premiums, or the deductible portions of insurance plans, including non-covered items such as dental work or eye glasses.

Because the employee is electing to have these items paid with pre-taxed dollars, neither he nor the employer pay income or FICA taxes on the amount set-aside for such purposes.

-- Appeal IRS Audit Results... According to "Small Business Report," a new IRS internal objective instructs appeals officers to "close the highest possible number of cases" to help obtain "an overall agreement rate of at least 85 percent in nondocketed cases under \$100,000." (Those disputes which have not yet reached the Tax Court.)

Because IRS appeals officers have greater authority and latitude to settle a dispute than an audit agent, most people are seriously considering an appeal on those cases where bargaining is in order or the court result is unclear.

MAKING EMPLOYEE REPRIMANDS WORK FOR YOU

Nobody is perfect and no one can read minds very well, so there will inevitably come a time when an employee will do something wrong and a reprimand will be necessary, if only to avoid repetition of the unwanted behavior. Reprimands are not fun, but they are part of a manager/supervisor's responsibility...for the sake of the operation and the employee.

The following suggestions come from "Practical Supervision" and could help make a reprimand work for your firm:

-- Don't smile. The moment you smile, even though you may be trying to put the person at ease, you have reduced your effectiveness. Smiling indicates approval, and you are about to talk about performance that does not have your approval.

-- Don't gunny-sack. Gunny-sacking is saving up all of your complaints and problems until the bag is full (and your patience has run out or it's just a bad day) and then dumping the full bag on the employee. Reprimand as soon as possible after the problem is noticed.

-- Be specific. Tell the employee what was done wrong. Tell him what you observed and how that differs from what you have taught or expect. Give him a chance to clarify the issue, but don't accept excuses.

-- Tell him how you feel about what he did or did not do. If you are surprised, angry or disappointed, tell him. Make every effort to be calm and logical at this point. Yelling, cursing or flailing around will only distract from what it is you're trying to get across to the person.

-- Put the reprimand into perspective. You're reprimanding the person for a specific action in a specific situation, not for being a "bad person" or a "bad employee." Let him know that you value his work in general and in other specific situations, though not here.

-- Don't repeat the reprimand. Once you've given the reprimand, you've done it. Go back to work. Don't get into an argument and don't take more of both parties' time with the situation.

-- Give the employee a day off... with pay. A step beyond the reprimand, and going hand in glove with it, is giving the offensive employee the day off with pay, but do it with a known purpose. The employee is told to find a solution to the specific problem, make a full commitment to the job or to quit and look for a job elsewhere. It's a bit drastic perhaps, but positive discipline methods have been proven very effective.

COURT RULES ON 'PAID IN FULL' CHECK ENDORSEMENTS

The California Landscape Contractors Association recently included the following article in their newsletter that could be of interest to all small businesses, especially sod producers.

"A recent New York court ruling may prove favorable to small contractors nationally. The New York Appellate Court ruled that a company can accept a check marked paid in full under protest and retain the right to go back for any disputed balance due.

"The court rules that 'a creditor may preserve his right to the balance of a disputed claim by explicit reservation in his endorsement of the check tendered by the debtor as full payment.

"The case involved a contract in Queens, N.Y. by Horn Waterproofing Corp., to repair the leaking roof of Bushwick Iron and Steel Co., Inc. After two days work, Horn concluded that a new roof was needed and submitted a bill for the work already done. After a dispute about the price, Bushwick sent a check for less than half the amount due stating: 'This check is accepted in full payment, settlement, satisfaction, release and discharge of any and all claims and or demands whatsoever kind and nature.' In endorsing the check, Horn printed the words, 'Under Protest,' and later sued for the balance.

The New York court ruled that Horn preserved its right to the balance due by endorsing the check with the notation, 'Under Protest'."

TYING COMMISSIONS TO COLLECTIONS IMPROVES BOTTOMLINE

When sales commissions are tied directly to debt collections, sod operations not only reduce bad debt and aging of receivables, they also improve the creditworthiness of their customers.

One actual approach used by a firm calls for the commission to be reduced by 5 percent when a receivable is 60 days past due; 10 percent when 90 days past due; 50 percent when it's 120 days past due and 100 percent when it's more than 150 days past due.

Salespeople are motivated to double-check the potential customer's credit status and assume a very active role in the collection process.