



BUSINESS MANAGEMENT

AMERICAN SOD PRODUCERS ASSOCIATION

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IMMEDIATE TAX PLANNING MADE #1 ISSUE BY NEW TAX REFORM PACKAGE

Taking immediate action regarding your 1986 and future tax filing plans should be a high priority for all U.S. members of ASPA. As a result of significant and sweeping changes in the tax laws, changes made before year's end could result in equally significant tax burden shifts come filing time.

Call your tax accountant and attorney immediately, if you have not already done so, to capitalize on all of the changes that are available before the calendar year runs out. Because the new tax bill effects personal, family and business tax rates, you will want to discuss all of these areas as soon as possible. You may also want to schedule appointments with your estate planner, insurance agent and other money advisers.

Some of the items leading authorities all agree on are:

..Deferring income to 1987 and beyond, if at all possible, unless this income is in the form of a pension annuity or lump-sum distribution.

..Taking as many deductions as possible in 1987 as many existing personal deductions such as interest payments, political contributions, educational travel and medical bills will be reduced or eliminated in future years.

..Consider forming an S Corporation for your business.

S CORPORATIONS SEEN AS FAVORABLE COMPANY STRUCTURE

When President Reagan signed the new tax reform bill into law, he sent a signal to many small businesses to immediately examine the possibility of forming an S corporation, sole proprietorship or partnership rather than any other form of company structure.

The base cause of this is that under the new tax laws, maximum tax rates for individuals will be considerably lower than for corporations. Under the previous tax rates, the top corporate rate was 46%, while the top personal rate was 50%. Under the new law, corporate rates will top out at 34%, but an individual's maximum rate will be 28%

An S corporation is a special tax classification in which the corporation itself is not taxed. Instead, all income, deductions and credits are passed through to the shareholders. Although this treatment is similar to that for partnerships, an S corporation is still treated as a corporation for other legal purposes such as limited liability.

As pointed out by the Small Business Legislative Council, to which ASPA belongs, "By electing S corporation status, you can take advantage of the lower individual tax rates, avoid two levels of tax on the sale or disposition of the corporation's assets and avoid application of the alternative minimum tax."

Establishing your firm as an S corporation will require the council of an attorney or tax consultant and should probably not be attempted by ones self because of the potential for errors and delays in the filings and approvals.

INSURANCE CRUNCH HITS MOST FIRMS

ASPA members are not alone in their fight to obtain sufficient and affordable insurance coverages. According to the U.S. Chamber of Commerce, 90% of the delegates to their recent annual meeting reported being affected by the current liability insurance crisis.

Approximately 70% reported an increase in premiums and 35% noted a reduction in liability coverage. Premiums were doubled for some 27% of the respondents, while an additional 15% said they were unable to obtain needed coverage. Most harmful, 15% said they were forced to self-insure, 11% went without coverage and 11% were forced to drop products or services for lack of insurance.

A number of activities are taking place on this issue; however, no immediate solution is available.

IMMIGRATION REFORM ACT
AFFECTS ALL EMPLOYERS HIRING NEW PEOPLE

After an up/down/up, in/out/in, alive/dead/alive history, immigration reform has become law in the U.S. The results affect all employers, whether or not they intentionally or unintentionally hire U.S. citizens or legal or illegal alien residents.

During the next six months, the Immigration and Naturalization Service will develop necessary implementation regulations, and enforcement will be minimal. For the year following, only warnings will be issued, unless there is an obvious pattern or repeat offenses. However, the actual employee applicant screening and recordkeeping begins now.

Fire-up your photocopier whenever you take an employment application...these records could save you a lot of time, money and anxiety should an Immigration Services official every call on you.

Under the new law, you...the employer...must prove you have screened all applicants to ensure they are eligible for legal employment. You have to establish that each person has employment authorization and proper identity.

These documents establish both employment authorization and identity:

1. U.S. Passport
2. Certificate of U.S. citizenship
3. Certificate of naturalization
4. Unexpired foreign passport, with an unexpired endorsement of the Attorney General authorizing employment
5. Resident alien card or other alien registration if it contains a photo of the person or other personal identity information, and is evidence of authorization of employment in the U.S.

To establish evidence of only employment authorization, these items can be used:

1. Social Security card, unless the card excludes authority to work in the U.S.
2. Certificate of birth in the U.S. or establishing U.S. nationality at birth, certified by the Attorney General
3. Other documents that the Attorney General may establish as appropriate by regulation.

Identity alone, can be established by these documents:

1. Driver's license or similar document issued by a state for purposes of identification and containing a photo or other information to positively identify the person.
2. Other types of identification documents approved by the Attorney General as acceptable.

Substantial fines have been established for violations of this new law, so something as simple as a photocopy of the documents you were given at the time of employment interview are well worth the time and/or trouble they may take.

FLEXIBILITY AND SHORT-TERM CONTINGENCY PLANNING CAN HELP ALL FIRMS

If any firm is going to survive for long, it has to possess both flexibility to change when necessary and short-term contingency plans to help it make those changes with the least amount of disruption. Developing this flexibility and a contingency plan require constant attention and periodic review.

Smaller firms especially need to be flexible because their limited access to resources such as money, research and trained personnel. However, the smaller firms usually also have an advantage over larger ones in that changes can be more quickly brought to reality when there isn't a multiple layer of authority that must be turned around on short notice.

Some factors to consider in developing a flexible stance would include the following:

1. Renting or leasing both land and equipment rather than buying.
2. Subcontracting some aspects of the operation rather than developing the ability, or need to do everything.
3. Staggering the maturity of the firm's debt issues so that major repayment commitments don't come due at one time, perhaps a bad time.
4. Stagger the maturity of your sod fields so that you have a steady and comfortable, but not overwhelming inventory of sod at anyone time.
5. Provide broad cross-training of as many employees as possible so you can react more quickly to a variety of problems and opportunities.
6. Expand or contract operations in a series of small steps rather than in a one or two large ones.

Have a well thoughtout short-term contingency plan that will enable you to react immediately and quickly to changes such as the following:

1. An industrywide boom or slump;
2. Changes in competition caused by new entries or the dropping out of an old competitor;
3. The addition or loss of a major customer;
4. Success or failure of a competitor's new marketing strategy;
5. Changes in pricing, either upward or downward, by competitors or competitive products.

Developing, reviewing and making these plans known to all will help any business prepare for both bad and good times...whenever they might come.