

THE VET GAZETTE

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Disabled Access Credit is available to eligible small businesses for ADA compliance.

Employers of Disabled Persons by IRS

Disabled Access Credit— Eligible small businesses can use this tax credit for expenses paid or incurred for the purpose of complying with the Americans With Disabilities Act of 1990.

An eligible small business is any business or person that had gross receipts for the preceding tax year that did not exceed \$1 million or did not have more than 30 full-time employees for the preceding tax year.

Eligible expenses include, for example:

- Removal of certain architectural, communication, physical or transportation barriers.
- Providing interpreters to people who are deaf or have a hearing impairment.
- Providing readers or taped texts to people who are blind, or who have a visual impairment, and
- Acquiring or modifying equipment or devices for people with disabilities.

For purposes of this credit a person with a disability is someone who:

- Has a physical or mental impairment that substantially limits one or more major life activities.
- Has a record of such an impairment, or
- Is regarded as having such an impairment.

This tax credit equals to 50 percent of the first \$10,000 of eligible expenses that exceed \$250. Thus, the maximum allowable credit would be \$5,000. To apply for the tax credit complete and attach form 8826 to your tax return for the year in which the expenses were paid or incurred.

For more information on tax issues, visit <http://www.irs.gov>.

Deduction for removing barriers for disabled and elderly

This deduction allows a business of any size to deduct expenses paid or incurred as a result of removing barriers to the disabled and elderly.

In order for the expenses of removal of barriers to be eligible, it must meet the standards of the Architectural and Transportation Barriers Compliance Board. For information on specifications, see IRS Publication 535 for examples of expenses that meet these standards.

If you claim this deduction, up to \$15,000 of eligible expenses can be deducted for the tax year. However, the deduction should be claimed on the tax return for the tax year the expenses were paid or incurred, and it should be identified as a separate item.

Limited Liability Company LLC

Starting a small business is a serious undertaking. It initially requires a great deal of time and effort...from conducting market research to determine if a market exists for your product or service; developing an effective market entry strategy (MES); financing the venture; purchasing equipment; finding a good location to selecting the best possible management team.

As part of the startup process, entrepreneurs determine which legal structures are best for their firms.

While many small businesses operate as sole proprietorships, partnerships and corporations; there is a growing trend in the number of small firms operating as limited liability companies – widely known as limited liability corporations or LLCs.

Helping small businesses



Your Small Business
Resource

Choosing the right business legal structure can be a daunting process, particularly if you are doubtful which structure provides the best protection from personal loss, while at the same time reducing tax burdens. It is important to carefully examine the different structures to select one that provides the balance that you seek; however, this may not always be possible. Be aware that not all business formations will provide both protection against loss of assets and reduced taxes; there may be a tradeoff.

If your goal is to protect your personal assets, then you may have to pay higher taxes. But, if your goal is to lower taxes, this may put your personal assets at risk, depending on the business type. These are a few reasons why you should do your homework before choosing a legal structure for your firm.

After careful examination, if you determine that the LLC offers the protection, tax advantages and business form that best benefit your firm, or it offers a tradeoff that you feel comfortable with, discuss your selection with your tax attorney and accountant to make sure you have made the right choice. While there are many advantages to choosing the LLC structure over sole proprietorships, partnerships and corporations, there are also many disadvantages— make certain that the advantages outweigh the disadvantages regardless of the legal structure you choose.

LLCs are hybrid business entities, which mean they are neither true partnerships nor are they true corporations. They are, however, a combination of both. The LLC functions as a tax-pass through, much like the partnership, unless the LLC elects to be taxed as a corporation. If structured as a tax-pass through, profits are paid to members as wages, salaries and dividends. In such an arrangement, the company itself pays no taxes; however, members report these payments

as part of their income on their individual tax returns.

LLCs can elect to be member managed, which creates a flat member or partnership structure, or they can be manager managed, which creates a two tiered structure that can more easily be converted to a corporation, with the attendant taxes. LLCs are organized with a document called the *articles of organization* or the *rules or organization* that are filed with the appropriate state government office. Additionally, members draw up an *operating agreement document* which governs membership, management, operation, and distribution of income.

Owners of an LLC are called members. Since most states do not restrict ownership, members may include individuals, corporations, other LLCs or foreign entities. There is no maximum number of members. Most states also permit single member LLCs, those having only one owner. Nonetheless, you should be aware that requirements governing the LLC vary from state to state, so make sure when choosing this business type, you comply with the requirements for the state where your business will be operating.

LLCs are popular business types because, similar to corporations, owners have limited personal liability for debts and actions of the LLC.

Market Entry Strategy

Developing an effective market entry strategy is essential to the success of any small, medium, or large business, as well as for multi-national corporations. The market entry strategy is the method that will be used to best deliver and distribute your product(s) or service(s) to the customers or clients within your target market. This entails determining within your identified marketing mix, the best approach to take to reach those customers or clients and to build and maintain their loyalty. A steady stream of repeat customers/clients is the goal of all successful businesses.

In identifying an effective market entry strategy, you will need to decide which of the following entry approaches work best for your firm. Keep in mind, however, before selecting a particular strategy that you may need to examine each approach carefully to determine which: best provides the access your firm needs to reach customers; provides the products and services they want/need; and builds customer loyalty and generates revenue.

Market entry strategies are commonly used by export firms as a way of breaking into foreign markets. If you are considering entering the export arena, entry strategies that you may want to consider include some of the following:

- Direct sales
- Distributor/agent
- Licensing
- Joint Ventures
- Franchising
- Export Merchant

Direct Sales

There are advantages and disadvantages for each of the above strategies, however. For example, if considering the direct sales approach, the advantages are you control pricing and distribution, and you achieve a higher profit margin because the middleman is eliminated. The downside to this approach is potential sales volume may be lower, credit risks are greater, market penetration may be slower and your company provides all advertising, promotion and customer service assistance.

Distributor/Agent

The distributor or agent typically functions as the importer. In this capacity, the distributor/agent already has established distribution and promotional channels and a customer-base willing to purchase the products or services.

Other advantages of this particular approach are: 1) risks are lower, 2) market entry is faster, 3) there is immediate generation of cash flow, 4) promotional materials enter established distribution channels and 5) custom duties are the responsibility of the importing firm.

The disadvantages of this approach are: 1) loss of control over products once items enter the county; 2) agent/distributor problems are not easily resolved; 3) no control over pricing; 4) choosing the wrong distributor or agent may delay entry of products into the market for sale, resulting in slow to sluggish sales or loss of revenue and 5) loss of brand name and reputation.

Licensing

In selecting the licensing approach, the exporting firm will generally enter into a contact agreement with a designated foreign firm to produce, distribute or sell the exporter's products or services as stipulated in the contract. The advantages of such an approach are:

- faster entry into the market;
- faster return on investment and
- virtually, no production, distribution, equipment, facility, overhead, staffing costs or any costs associated with production and distribution of your products or sale of your services.

Some drawbacks in selecting this approach are loss of control over production processes, pricing, the hiring/termination of staff and no involvement in the determination or selection of the best strategies for marketing and promoting goods.

Joint Ventures

Joint ventures are another approach firms may use in building overseas markets. Joint ventures offer excellent opportunities to sell in foreign markets with lower risks because you are working in tandem with a partner firm, within the host country that knows the marketplace and its nuances.

Partner firms have:

- established distribution channels,
- understand the buying habits of customers in their markets,
- know the media that will best market and promote products/services,
- have effective, established marketing/promotional channels,
- have established contacts with banking or financial institutions, should financing be required and
- have trained/qualified staff to perform day-to-day business/operational tasks, in addition to tasks specific to requirements of the joint venture.

In joint ventures, foreign partners may already have whatever licenses/permits are required, or, at best, these firms know where to apply to obtain the necessary license(s) or permit(s). This eliminates the time it would take staff in your firm to work through the legal/business requirements needed to obtain appropriate licenses or permits. Other drawbacks include transfer of proprietary technology and business information.

While market entry strategies typically are used by export firms, domestic businesses, including new, expanding, diversifying or spin-off businesses use this approach for entering the marketplace as well. Market entry strategies used by U.S.-based firms typically focus on positioning, pricing, servicing and distribution.

Positioning

Positioning your products or services for competitive advantage is part of the process used by business owners to grow their enterprises and enter the marketplace. Positioning entails using strategies that keep your firm in the forefront of the consumers' minds through advertising/promotions and by providing the product or service they want and are willing to purchase. In advertising and promoting your

firm, use strategies that competitors are not using as their unique selling points as these tactics oftentimes may give your business a competitive advantage.

Adaptability or the flexibility needed to change tactics as competitors adopt your marketing/promotional strategies is a key variable of positioning and maintaining a competitive advantage. For example, if convenience is your unique selling point, then this is the aspect, along with your other marketing strategies, that you will continue to emphasize when promoting your firm. If a competitor adopts convenience as his or she unique selling point, you will need to determine how this change has impacted your firms' competitive advantage. If upon analysis, you determine that the firm has been adversely impacted, then make the necessary adjustments to regain an advantage, or at best try to recapture the market that was lost. Such actions may entail promoting dependability and convenience as its unique selling features, or identifying and promoting uniquely different selling features that are applicable to your firm, which competitors are not using.

Positioning is a marketing technique that you will continuously need to adjust as competitors enter and leave the marketplace.

Pricing

How much consumers are willing to pay for an item or service is an issue most businesses grapple with at some point in time. Pricing a product can be an arduous task, particularly for new businesses because consumers can be unpredictable. If your product or service is priced right, you certainly may gain an advantage over competitors. However, if consumers perceive your product or service to be too cheap or expensive; they will undoubtedly select an item/service that is of comparable quality yet more affordable.

While positioning and pricing are two techniques domestic-based firms use, there are a number of market entry techniques that firms use to enter the marketplace and help in establishing a competitive advantage.

Managing the Finances of a Small Business

Financial management is a critical element in the operation of a successful small business, or any business for that matter. How effectively new small business owners record, track, reconcile, report on, and analyze financial data may make the difference between how successful or unsuccessful they are in managing the finances of their firms. Some small business owners choose to have an accountant control the firm's finances, or they purchase and install accounting software or automated systems to manage finances. While both are good approaches to take, neither method will compare with the knowledge that is acquired by manually controlling the finances of a business. Use of an accountant or automated finance system prevents the new business owner from gaining the insight he or she needs to begin acquiring the knowledge needed to effectively manage a firm's finances. By circumventing this process, new business owners miss the opportunity to acquire a good working knowledge of financial management concepts and see how these concepts impact the financial solvency of a firm.

Effective financial management is a skill that generally may be acquired by actually controlling and managing the finances of a firm. This process entails not only understanding financial management concepts, generating financial projections, and the ability to identify cash shortfalls and excesses, but it also entails the ability to analyze the data derived from the 1) operating budget, its purpose, how it's generated, and the estimates it provides compared to actual spending over a specified period of time (usually a year);

2) cash flow statements; 3) profit and loss statements (P&L), 4) income statements, 5) capital budgets, 6) working capital, 7) cost benefit analysis, 8) return on investment (ROI), 9) breakeven analysis, or 10) financial projections. Other financial concepts new business owners must acquire include, but are not limited to, accounting transactions — such as single-entry versus double-entry accounting methods, cash-versus accrual accounting systems, payroll journal, general ledger, cash receipts journal, cash disbursements journal, accounts receivable ledger, accounts payable ledger, sales journal, and purchases journal. Understanding these accounting transactions and methods will ensure that your small business is operating under standardized financial management principles, which enable the identification, correction, and adjustment of potential financial problems or shortfalls before they occur.

The simplest approach to establishing a firm's accounting and financial management systems for new business owners is to start by recording and maintaining basic bookkeeping information and data. Such information and data includes recording all expenditures and cash receipts, with clear explanations of what was purchased, by whom, when, and for how much; or for payments received, when they were received/recorded, the amount received, date received, and for what products or services. This type of information and data becomes the basis for building a more sophisticated financial management system to record, track, reconcile, report on, and analyze financial and accounting data/information. Some small business owners began by manually recording such finance information while others choose computerized systems. Computerized systems are excellent for recording, tracking, reconciling finance data, generating financial reports and analyzing finances; but the possibility of underestimating the importance of knowing how your accounting processes really work is greatly reduced. Doing the bookkeeping yourself will help you better understand how the accounting process works by comparing, analyzing,

and interpreting the financial data generated through a manual versus a computerized or automated system. The type of hands-on analysis and comparisons afforded through a manual accounting system is undoubtedly, the best way to begin to understand the rudiments of financial management. For example, operating budgets are planned budgets which allow for income and expenses that the company is likely to produce through its current operations. An operating budget lists expenses, such as advertising, salaries, and general and administrative costs; however, periodically it should be compared with actual expenses to determine if these financial projections are in line with actual expenditures. By drawing up an operating budget, new business owners will begin to see how projected costs are used to forecast the amount of money that may be needed annually for business operations compared to the amount that is actually spent after comparing and analyzing the actual costs to the projected costs.

Other financial management concepts and accounting transactions new business owners will need to become familiar with are cash flow statements, profit and loss statements, and income statements. Each plays an important role in effective management of revenue generated through a firm's sales and day-to-day business operations.

- **Cash Flow Statements** – reflect the in-flow and out-flow of cash into and out of a business. It forecasts the amount of money a business anticipates receiving and paying out over a specific timeframe, a week, month, etc.
- These projections also reflect cash shortages or excesses for a given period and are used to identify and prevent, or at least reduce, the adverse impact cash shortages may have on a firm's day-to-day operations.

- **Balance Sheet**— is a financial statement generally prepared at the close of an accounting period which shows the financial condition of the business over a specified timeframe. It provides a snapshot of the firm's financial condition for a particular time and if prepared regularly may be used to identify and analyze trends in the financial strength of your firm.
- The balance sheet consist of three major categories: 1) assets, 2) liabilities, and 3) net worth. Assets are anything your business owns that has a monetary value. Liabilities are debts owed by the business to any of its creditors, and net worth is a measure calculated by subtracting total liabilities from total assets.
- **Profit and Loss Statements** - show the business's financial activity over a period of time, usually the firm's tax year. Income statements are an excellent tool for evaluating your firm's financial performance. For example, you may determine that an advertising campaign in March did not effectively increase sales. As a result, you may decide to use your advertising funds more effectively next year by using them at a time of increased customer spending, i.e., around holidays, summer vacations, beginning of the school year.
- Income statements show where your money has come from and where it was spent over a specific timeframe. It should be prepared not only at the end of the year, but also at the close of each business month.

For additional information on managing the finances of your business, SBA offers through its Small Business Training Institute courses on financial management, as well as other business management courses that will assist you in owning and operating a successful small business. Visit www.sba.gov.

Veterans Day - A Salute to Veterans, Active Military, and Their Families

On November 11, 2009 , communities around the nation will host parades, have special activities or hold candle-light vigils as ways of remembering and honoring the sacrifices veterans and active duty military personnel have always made.

In remembering those past and present who have given their "last full measure of devotion" to the freedom we enjoy in our great country, let's not forget the sacrifices their families have made and continue to make. In honoring our veterans, we also honor their families and ask a special blessing for the families who have lost loved ones and those whose family member were wounded in fulfilling their obligations to duty, honor, and country.

We salute our veterans and active duty personnel, and we extend a special salutation to their families for their dedication to duty, honor, and country!

Patient Care Group Scam

The VA has received reports that veterans are being contacted by a "Patient Care Group" that claims it is helping to administer the VA's prescription medicine program. "Patient Care Group" is saying the VA recently changed its pharmacy billing procedures, therefore a personal credit card number is now required for prescription payments in advance of filling those prescriptions. **This is a scam! Do not provide credit card information over the phone to anyone who claims to represent the VA!** The VA has not changed their pharmacy procedures, and they do not ask veterans to disclose personal financial information over the phone. If you should receive such a call, do not give them any information. Tell them you are busy and try to get a name and callback number. Report that information to your local police .

OTHER RESOURCES

<http://www.irs.gov/>
www.military.com
www.vetjobs.com
www.publicforuminstitute.org
www.commerce.gov
www.hirevetsfirst.gov
www.hirevestfirst.gov/smallbizown.asp
www.dol.gov
www.ssa.gov/emergency
www.ssa.gov
www.sba.tmonline
[ESGR Programs](http://www.esgr.gov)
[ESGR Tips for Military Members](http://www.esgr.gov)
[Veterans Business Outreach Center: Serving the Veterans of New York State](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – University of West Florida](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – Robert Morris University](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – The University of Texas-Pan American](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – California VBOC](http://www.veteransbusinessoutreachcenter.org)
[Office of Advocacy](http://www.officeofadvocacy.org)
<http://www.aptac-us.org/new/>
www.nchv.org
[Kauffman eVenturing \[www.eVenturing.org\]\(http://www.eVenturing.org\)](http://www.kauffmanventuring.org)

Disability Benefits for Wounded Warriors

Military service members can receive expedited processing of disability claims from Social Security. Benefits available through Social Security are different from those from the Department of Veterans Affairs and require a separate application.

The expedited process is used for military service members who become disabled while on active military services on or after October 1, 2001, regardless of where the disability occurs. You may apply on line at www.socialsecurity.gov/woundedwarriors or in person at the nearest Social Security office, or by telephone by calling **1-800-772-1213** to schedule an appointment ; for the hearing impaired call **1-800-325-0778**.

VETERANS WE SALUTE YOU