



Client Tell

Blackburn, Childers, and Steagall, PLC
Certified Public Accountants and Consultants

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Tennessee Hall Tax to Be Phased Out By Brandy Bradley

On May 20, 2016, Governor Bill Haslam signed a bill that will eventually eliminate the Tennessee Hall income tax. The current Hall income tax rate is 6% and applies to certain types of interest income, certain types of dividend income, and capital gains distributions in excess of \$1,250 (single) and \$2,500 (married filing jointly). The new piece of legislation intends to cut the Hall tax from 6% to 5% for 2016 tax returns due in April 2017 and will continue to reduce the tax by 1% each following year. Whether the annual reductions occur or not, the tax will be completely eliminated beginning in tax year 2022.

According to the Tax Foundation, Tennessee currently has the highest combined average state and local sales taxes in the country. When the Hall tax is eliminated in 2022, Tennessee will be one of only eight states that have no state personal income tax. Our cities and counties will ultimately feel the effect of the Hall tax elimination since 37.5% of each dollar

collected flows directly out to the towns, cities, and counties where the taxpayers live.

How does this affect you? The Institute on Taxation and Economic Policy estimates that, when the tax is eliminated, the top 1% of Tennesseans in terms of income will save around \$5,000 each year. The majority of Hall taxpayers will only save around \$50 each year. Whether you are in the top 1% or not, if you pay Hall taxes, this reduction will provide a benefit to you starting with your 2016 state tax return.

Over 1,000 BCS clients paid TN Hall Tax in 2015. Average projected savings per client is \$268 for 2016.

Volunteering at One Acre Café

BCS Tax and Small Business Departments volunteered for lunch shifts this summer at One Acre Café, a nonprofit restaurant where patrons pay what they can.





Don't Let the Lack of Leadership

By

Two principles that are critical keys for any organization's continued success:

1. If you aren't growing, you are dying.
2. An organization cannot grow above the level of its leadership.

Whether we are talking about a business, government, church, non-profit or sports team, those principles apply. Thus, if you are not continually investing in recruiting, training and building strong leaders your organization will die.

Based on these principles, ask yourself, what are we doing to intentionally grow leadership in our organization? I say intentionally because this does not happen by accident. Many times we don't invest in leadership or other soft skills because it is intangible, hard to measure in the short term, and we're "too busy." Organizational leaders may tell you they agree, but when it comes to truly investing time, energy and finances, people show what they really believe in.

How do you intentionally grow leaders?

1. **Select team members based on character and attitude.** Assuming a basic level of competency, skills can be trained. Character always trumps talent in the long run.
2. **Develop a formal leadership training program** specific to your organization. There are many opportunities for this type of training that exist today. Here at BCS, we have a quarterly voluntary leadership group of about 45 people that meet no less frequently than once a quarter to train in leadership. This past summer, we had seven different book groups, staff lead, reading a different leadership book. Thirty people attended the two day Global Leadership Summit in 2016.

3. While formal training is a necessity, some say as much as 90% of learning comes from **informal on the job training**. Staff development should be a non-negotiable for all leaders. This informal training comes through, modeling, pushing challenging work down where one can succeed or fail and constant timely developmental feedback/discussion. We have found feedback to be our most challenging area, so we currently have a staff-lead team working to help us improve.
4. Constantly look for opportunities to **let others lead**. Current leaders have to learn to let go and let others lead or growth will never come. Sure they can't do it as well or as fast as you today, but what about tomorrow? You're not always going to be there. Ego tends to be the biggest inhibitor to this one.
5. **Solicit all team members input** on ways to continue to grow and improve in leadership training. We are finding this is helping our program be even better and has become another way for others to lead.

While not everyone can be *the* leader(s) in an organization, everyone can be *a* leader in an organization. Good leaders attract others, maximize performance exponentially and are key to retention.

Sure, all the above does take away from our day jobs in some way, but if you are still not convinced, I'll leave you with one of my favorite quotes I've heard this year, shared with me by Brandy Bradley from our Tax Department.

In an article from the *Harvard Business Review*, Thom Crosby CEO of the highly successful Pal's Sudden Service says, "People ask me, 'What if you spend all this time and money on training and someone leaves?'" Crosby says. "I ask them, 'What if we don't spend the time and money, and they stay?'"

Limit the Growth of Your Organization

Tommy Greer

Some of our favorites ideas, quotes and paraphrases from the Global Leadership Summit



Sarah Presnell

“Leadership isn’t how far we advance ourselves but how far we advance others.” - John C. Maxwell



Jonathan Phillippe

“When driving a strategy that changes human behavior we don’t get to blame others.” - Chris McChesney



Sheila Emory

As a part of his Wildly Important Goals (WIG) talk, Chris McChesney asked, “What are the fewest battles to win the war?”



Esther Shelton

“Lead knowing who God is and who He says you are in Him.” - Danielle Strickland



Amanda Bowlin

“Enlarge your vision, empower your people and embrace risks!” - Jossy Chacko



Garrett Ewers

“Everything worthwhile is uphill.” - John C. Maxwell



Don Wallingford

“Are we going to spend life connecting with people or correcting them?” - John C. Maxwell



Siena Rambo

Two keyword takeaways from the Summit... trust and intentional. Trust is the foundation that makes a team succeed. Leaders have to be intentional every day in adding value to those around them.



Ben Buchanan

It is a continuous struggle to go against the grain and build up a person, a team, a business. It is an intentional, every day process.



Kendra Hopson

Alan Mulally talked about the importance of the “find a way” attitude as a part of his 11 Working Together Principles. Find a way to accomplish your performance goals and communicate the plan to everyone.



Chad Kisner

“Most people have uphill hopes but downhill habits.” - John C. Maxwell



Jake Hutchison

“Life is a juggling act. Sometimes you do great at work but miss an opportunity with your marriage. Other times you do great with your marriage but miss an opportunity with the kids or a friend. The main thing is don’t miss back to back opportunities among the same parts of life (Faith, Marriage, Children, Work, Friends, etc.)” - TD Jakes



Kala Hyder

“It’s cruel and unusual punishment to employ a person and never tell them how they are doing.” - Bill Hybels



MeLissa Crockett

“We must establish a due north! North never changes and is uncompromising.” - Wilfredo de Jesus



Oluchi Taylor

Who’s missing out because you refuse to take the next step of faith?



Ryan Bowman

“When empowering your people, build character before empowerment.” - Jossy Chacko



Rachele Taylor, Teresa Adams, Samantha Amador

“Intentionally add value to people every day.” - John. C. Maxwell

Client Feature

Esther & Ella



“One snow day, I was sitting on my couch, looking at online boutiques on Facebook, and then I thought, we could do this!” said Tara Broyles, co-owner of Esther & Ella boutique in Greeneville. “We applied for a business license the next week, and we started growing much quicker than we expected.” The online boutique, with inventory kept at Tara’s house, quickly outgrew the space, and they opened their doors in 2015.

Building Homes & a Friendship

Emily Latham, the other co-owner, moved to Greeneville with her husband, who is from the area. “We couldn’t figure out what kind of house we wanted to build. We were driving around looking at other houses, and walked right into this house under construction, because we’d finally found a house we liked. The owner of the house just happened to be there, Kevin Broyles, Tara’s husband. We all started talking about building houses, and I’d call to ask their opinions on things, and the friendship just grew from there. So now we’re friends, who own a business together, and have basically the same house!”



“When we’re buying inventory for the store,” said Emily, “we mesh well together. We don’t always agree on what to buy, but then we get back from market and the things that I didn’t think would sell are selling and vice versa.”

“Jenny Bowman at BCS has been a God-send!” said Tara. “Jenny’s kept us out of jail! We don’t have business backgrounds at all, so Jenny has been there every step of the way, and we appreciate her late hours at tax time, her willingness to answer questions whenever we text her. Jenny’s not just our tax lady, she’s our friend,” said Emily.



Stay-at-Work Moms

“We call ourselves stay-at-work moms because our kids come to work with us. There are always kids here!” said Tara. On the main level of the store, you’ll find Kavu bags, SIC cups, HOBO bags, jewelry, fashion clothing, “Home” shirts, home décor, children’s clothing, wedding décor, no-wax farmhouse paint, high school and college sport apparel and Christian-focused items, such as Bible journaling accessories. Down a short flight of stairs, they have sale items, an open space anyone can rent out for Bible studies or showers, a corner with comfy chairs and a coffee maker for moms to have a time-out while their kids play in the kid-friendly area (called The Nook at Ella’s), and Two Little Stitches, where Cheray will add custom monogramming, embroidery or decals to anything you buy in the store or bring in.

Esther & Ella sells several items that support charities, such as the Banded headband. With every purchase of a Banded headband, three meals are provided to children in need in Uganda, Latin America and the Caribbean.

#FixItJesus

“When we were opening the store, we had one month to get everything ready, and everything that could possibly go wrong, went wrong. So every time something new would go wrong, we’d just say, ‘Fix it, Jesus!’ and then keep working. We said it so often, that we decided to paint a wall with chalkboard paint, and people could write their prayer requests, so it started a tradition that every Friday we’d take some time to pray over all the things written on the wall,” said Emily.

“We encourage people to come in, have some coffee, take a break, hang out and let their kids run wild,” said Emily.

Esther & Ella is located at 1305 Tusculum Boulevard in Greeneville. You can like their page on Facebook for updates about new items, sales and special events.





Recent Treasury Regulations Can Benefit Retirees

By Nick Clay

One of a retiree's greatest fears is running out of income and money in the late stages of retirement. With advancements in modern medicine, the average life expectancy has increased substantially, but most people have not planned appropriately with their finances for a longer life. Pensions are increasingly rare and social security is not designed to fund 100% of your income needs in retirement.

You're probably not familiar with the Qualified Longevity Annuity Contract (QLAC), but due to recent changes to U.S. Treasury regulations it has become a viable option to help with this ever increasing retirement concern. I believe there are two schools of thought with the QLAC – it can be used as another piece of the pie to help make sure retirees don't outlive their money late in retirement – and/or – they can be used for clients who do not want to take their Required Minimum Distribution (RMD), or don't need the money from their RMDs, and thus do not like paying the tax on the RMDs.

Here are some quick facts about QLACs:

- You can put up to 25% of your IRA/401(k) balance in a QLAC – up to a max of \$125,000
- The money you put into a QLAC is excluded from the RMD calculation – thus reducing your RMD amount and the associated tax each year going forward
- The longer you wait to tap the income in the QLAC the more income you get. Income can be deferred all the way

to age 85 and provides longevity insurance as an added benefit

- If the owner of the QLAC dies once income is started, there is a cash refund to beneficiaries of purchase amount minus withdrawals
- No cost or fees associated with the QLAC
- No stock market risk
- Flexibility and predictability

There are two types of people this could work for. The person in their 60s with a good amount of IRA assets who wants to set money aside to exclude from future RMDs and also put a guaranteed income stream in place for later in retirement.

Example: a 65 year old man puts \$100,000 in an immediate annuity in return for income of \$550/month starting right away. The same investment in a QLAC with an income start date of age 85 would pay more than 6 times as much at around \$3,600/month. Plus they get the added benefit of reducing the RMDs and taxes owed on RMDs each year.

OR

The person who is already taking RMDs, doesn't need the money and doesn't like paying Uncle Sam.

If you think this is something that you might benefit from, or if you would like to explore this strategy in more depth, please let us know. We are happy to help.

Personal Lines



Andy and Katie Clark welcomed daughter Eliza Joan on August 22.



Brittany and Jake Cassell welcomed son Pierce Edward on August 19.



Preston and Kristen McMurray welcomed daughter Olivia Grace on July 21.

There are many tax credits available at both the Federal and State levels. Many of these credits are very unique to specific industries or economically distressed areas. However, some credits may be available to your business if the proper systems are put in place to capture and record the necessary information to comply with IRS regulations. If you answer yes to the following questions, it may be worth it to look into tax credits:

- Do you have high employee turnover?
- Have you developed any new products in the last year?
- Have you improved your products in the last year?
- Are you creating new jobs or expanding your business?
- Have you purchased new equipment?

Let us know if you would like more information regarding business tax credits.



BCS Attends Kingsport Mets Game



BCS Blackburn, Childers & Steagall, PLC

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Small Business Seminar

Open to anyone involved in small business accounting or human resources, this seminar will cover QuickBooks Online, FLSA overtime changes, health insurance and employee benefits. Space is limited, so please register early!

Three sessions will be offered November 1-2, the first from 8:30-11:30 on Tuesday, November 1 (breakfast provided), the second from 1:30-4:30 on Tuesday, November 1 (snacks provided), and the third from 8:30-11:30 on Wednesday, November 2 (breakfast provided). All sessions will be held at the Bank of Tennessee Board Room on Med Tech Parkway in Johnson City.

Cost to attend is \$20 per person. Register now at BCSepa.com or contact Lorrie Olinger at lolinger@bcsepa.com or 423.282.4511 for more information.