



CLIENTTELL

60 YEARS and ACCOUNTING

Vol. XXVII | No. 3 Fall 2021 | Blackburn, Childers & Steagall, PLC Quarterly Newsletter

Financial Statements Engagements

4

BY SIENA RAMBO

State & Local Taxes

6

BY JAMES STEFFEN

State Tax Nexus

8

BY SHANE CAREY



WHY GROW?

BY ANDY HATFIELD

You may have read earlier this year that BCS was named to the Forbes list of the top 200 accounting firms in the US for the second straight year and also received a similar type of accolade from a popular accounting industry publication, *Inside Public Accounting* (IPA). These are certainly great acknowledgments of the continued growth of the firm and provide for positive recognition from the communities in which we serve our clients. However, as most small business owners and leaders would attest to; growth also presents its own sets of challenges.

>> KEEP READING ON PAGE 2



Andy Hatfield with our 2021 Forbes recognition plaques. We are honored to be recognized two years in a row.

>> CONTINUED FROM COVER STORY

While I think few business leaders would argue against the old adage that “if you don’t grow you die,” I believe it’s important to understand the purpose or the “why” behind growing your business.

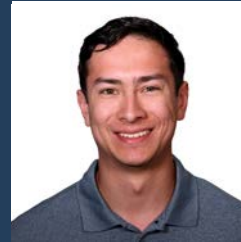
While managing the numbers is very important and critical to the financial success of a business, it shouldn’t be the only thing to measure when assessing the health of your business. It really doesn’t provide the “why” behind growth, other than the obvious financial rewards. Here are some of the non-financial factors to consider when thinking about purpose for growth:

- Opportunities for employees to grow in their career and to develop as leaders
- Provide an environment that allows lifelong learning and development of new skills that can be used at work and in other aspects of life
- Creation of new jobs in the region
- Be a place that provides innovative products and services to individuals, and other businesses or organizations in the region
- Provide a healthy, fun, and safe workplace. A tremendous amount of our lives are spent at the office, including the remote workplace!
- Provide and promote opportunities for employees to give back their time, talent, and resources to the community, or what I would refer to as good stewardship

At BCS we are extremely fortunate and blessed to have experienced solid, healthy growth over the last 20 years. We are always proud and honored to receive special recognition from industry publications. However, we understand that growth of our business won’t be sustainable if we don’t continue to provide premier service to our clients and take care of our team here at BCS. We aim to provide a great place to work, an environment for lifetime learning, and promote giving back to the communities in which we live and serve. ♦



SPEAKING of GROWTH...



NATHAN HSHIAO
Tax,
Johnson City



TYLER SEALS
Managed
Accounting
Services and Tax,
Johnson City



RENEE MCBURNEY
Administrative
Assistant,
Boone



MELISSA REAMER
Managed
Accounting Services,
Johnson City



RICHARD LESLIE
Tax,
Kingsport



...WELCOME TO ALL OF OUR
RECENT NEW HIRES!



**MONA
CHURCH**

Managed
Accounting Services,
Kingsport



**THOMAS
DEHART**

Tax,
Johnson City



**WENDY
BAKER**

Managed
Accounting Services,
Boone



**KARINA
GOMEZ-AGUILAR**

Managed Accounting
Services Intern,
Boone



**JOHN
STEADMAN**

Tax,
Kingsport

As Andy mentioned earlier, we are blessed to watch the firm grow in both people and capabilities! We are honored that these new faces chose BCS as part of their career.

PERSONAL LINES

NEWS FROM AROUND THE FIRM

THERE'S A NEW CPA ON THE BLOCK

Tyler Seals received his CPA license for the state of Tennessee



MR. + MRS. BELSHAN

Cameron Belshan
(Burnette) got
married in August

BLUE RIBBON TRIFECTA

Gabriella Krtausch won three blue ribbons at the Appalachian Fair for her photography





Financial Statement Engagements

BY SIENA RAMBO



“We need an audit.” This is a common phone call we receive, however, there are actually other options available that may be a better choice for the organization.

The following is a brief description of the different types of financial statement engagements that can be performed.

PREPARED FINANCIAL STATEMENTS

A set of financial statements is prepared by an accountant using information provided by the client but does not include an accountant’s report. There is no assurance provided on this type of engagement and note disclosures are optional.

COMPILED FINANCIAL STATEMENTS

A report on the financial statements is issued that states a compilation was performed in accordance with AICPA professional standards. No assurance is expressed that the statements are in conformity with the applicable financial reporting framework. Note disclosures are optional to include with the financial statements.

REVIEWED FINANCIAL STATEMENTS

A report on the financial statements, including note disclosures, is issued by an independent accountant that states the

CPA did not become aware of any material modifications that should be made. This is known as “limited assurance.”

AUDITED FINANCIAL STATEMENTS

This engagement provides the highest level of assurance. An independent auditor issues a report on the financial statements, including note disclosures, which expresses an opinion that the financial statements present fairly the entity’s financial position and results of operations. This is known as “positive assurance.”

A varying degree of work is required for these engagements, ranging from using the entity’s information to prepare financial statements, to performing verification and substantiation procedures on account balances. So depending on the purpose and use of the financial statements, a type of engagement other than an audit may be sufficient. ♦

BE THE FIRST TO KNOW

As an email subscriber, you’ll receive all the latest news and updates before we post on our social media channels. We send industry relevant updates as well as updates on things happening around the firm. Scan the QR code to sign up today!

You can also sign up on our website. [BCSCPA.COM/BLOG](https://www.bscpa.com/blog)



Halfway There

BY BRI JORGENSON



Two thousand twenty one hours sounded like a lot when we kicked off our 60th anniversary. But if I've learned anything in my time here at BCS it's that we aren't afraid to set goals and tackle them together (especially when numbers are involved). As of this newsletter, we have met 78% of our 2,021 hour goal, with many more exciting opportunities to close out the year.

Our goal this year has been to give back for the good of our communities. Whether that has been donating, painting, packing, organizing, running, tiling, and even paddling, our hope is that we have left each place a little better and brighter than it was before. ♦

60 YEARS and ACCOUNTING

GIVING BACK & FUN @ THE FIRM UPDATES

We spent Q3 working on some of our biggest giving back projects this year! Here are the highlights from this quarter:

10,000 LBS.

of donations organized at the Salvation Army Thrift Store for United Way Week of Caring

15,336 MEALS

packed at Hunger to Hope that will feed impoverished children and families around the world

NIGHT AT THE BALLPARK

We grabbed our peanuts and Cracker Jacks and headed out to the ball game where we rooted for the Elizabethton River Riders and the Johnson City Doughboys

See photos and more at bcscpa.com/about/sixty

1 MILE DOWN THE RIVER

Ben and Jake paddled in the one mile Rotary River Race in Kingsport

1 WEEK OF RENOVATION

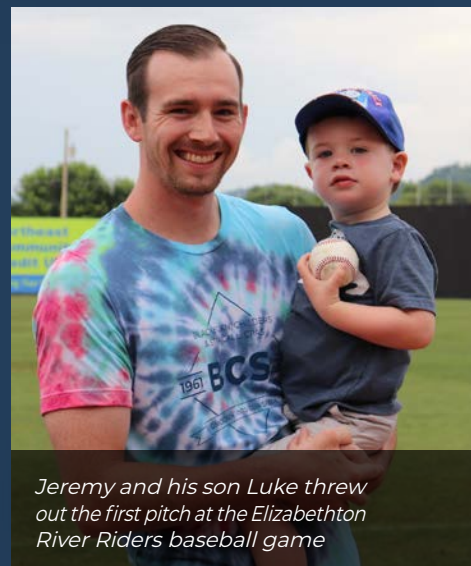
in the boy's bathroom at Coalition for Kids in Johnson City



Jordan and Garrett proved that teamwork makes the dreamwork at the Salvation Army Thrift Store



Andy Clark's team worked hard to pack, weigh, and seal meal bags at Hunger to Hope



Jeremy and his son Luke threw out the first pitch at the Elizabethton River Riders baseball game



Our crew transformed the boy's bathroom at Coalition for Kids in Johnson City



Ben, Jake, and Carolyn were on deck at the Rotary River Race as part of FunFest in Kingsport

>> CONTINUED FROM PAGE 8

This can vary from state to state, however in Tennessee, those exceptions are:

- 1) Displaying product samples at trade shows
- 2) Activities of magazine publishers
- 3) When an out-of-state person's equipment is in the state only on a temporary basis, **or**
- 4) When the business has employees present in Tennessee temporarily

“SUBSTANTIAL NEXUS IN THE STATE”

In Tennessee, The Revenue Modernization Act of 2015 (“RMA”) introduced the “substantial nexus” language, and this requirement applies to all tax years beginning on or after January 1, 2016. The RMA's addition of the substantial nexus language essentially expanded the number of businesses that may have nexus in the state. Consistent with the ruling by the Supreme Court of the United States in *South Dakota v. Wayfair, Inc.*, physical presence is not required to establish substantial nexus.

Practically speaking, substantial nexus means any direct or indirect connection of the taxpayer to the state such that the taxpayer can be required to remit state taxes. There are many ways that a taxpayer may establish substantial nexus in the state. While this is not meant to be an exhaustive list, some of those ways include:

- 1) The taxpayer is organized or commercially domiciled in the state
- 2) The taxpayer owns or uses its capital in the state
- 3) The taxpayer has systematic and continuous business activity in the state that has produced gross receipts attributable to customers within the state
- 4) The taxpayer licenses intangible property for use by another party in the state and derives income from the use of that property; **or**

- 5) The taxpayer has “bright-line presence” in this state

For the state of Tennessee, a person has bright-line presence in the state for a tax period if any of the following apply:

- 1) Total receipts in Tennessee during the tax period exceed the lesser of \$500,000 or 25% of the taxpayer's total receipts everywhere during the tax period
- 2) The average value of the taxpayer's real and tangible personal property owned or rented and used in Tennessee during the tax period exceeds the lesser of \$50,000 or 25% of the average value of all the taxpayer's total real and tangible personal property; or
- 3) The total amount paid in Tennessee during the tax period by the taxpayer for compensation exceeds the lesser of \$50,000 or 25% of the total compensation paid by the taxpayer. Each state will have similar language with different thresholds to determine whether or not nexus in that state exists.

ENTITY SPECIFIC NEXUS

There are also certain types of businesses that create what is known as “entity specific nexus.” For example, and most notably, trucking companies are subject to Tennessee Franchise and Excise tax if the company provides intrastate transportation services within Tennessee, makes deliveries of goods into Tennessee that originate in another state, or transports goods from Tennessee for delivery into another state. However, if a motor carrier merely travels through the state without delivering goods or making pickups, that activity would not be sufficient to establish nexus in the state.

CONCLUSION

As with many other areas of tax law, there are numerous exceptions and special rules for businesses in certain industries or for those with more complex entity structures. Please reach out to us if you have questions about whether your business may be subject to any state taxes under an economic or substantial nexus analysis. ♦



State & Local Taxes

BY JAMES STEFFEN

As experienced business owners are aware and as new business owners quickly realize, the number of state and local tax filing requirements can be overwhelming. Compliance issues and taxes will only increase, as states and local governments continue to look for ways to increase revenues enforcement. To help navigate these issues, we will discuss the most common types of various state and local taxes that could affect your business in Tennessee, Virginia, and North Carolina. >> **KEEP READING ON PAGE 7**

INCOME AND FRANCHISE TAX

Most states impose an income tax on the earnings of a business within their state. North Carolina and Virginia both have an income tax on the earnings of a corporation. For flow through entities, the income is passed through to the shareholder(s) and taxed by the state on their individual returns. Tennessee however simply has a Franchise & Excise tax since there is no individual income tax to pass the income through. The Tennessee Franchise & Excise tax is similar to other states income tax and is imposed on entities that provide liability protection to their owners. For example Corporations, LLCs, LLPs, etc. The excise tax is based on net earnings and the franchise tax is based net worth or fixed assets.

When a business operates in multiple states, the income of the business must be apportioned to each state there are operations in and taxed to each state accordingly. For most states, the income is apportioned based on a combination of property, payroll, and sales factors within the state.

BUSINESS LICENSE TAX

Business tax is imposed on the gross receipts of the business and is paid each year to renew the business license. There are several deductions that can be claimed against the gross receipts of the business as well as several exemptions from this tax depending on the state in which you operate. A few of the most common types of deductions are for contractor payments to subcontractors, bad debts, cash discounts, returned merchandise, and trade-ins. This return is filed and paid annually with the state or locality in which you operate.

SALES TAX

Sales tax is collected by a business when selling tangible personal property or services on personal property. The sales tax rate is dependent on where you are located and the type of goods you are selling. These returns can be due monthly, quarterly, or annually.

TANGIBLE PERSONAL PROPERTY

Personal Property taxes are imposed on a business's tangible personal property; which includes such items as computers, office equipment, tools, furnishings, machinery, billboards, raw materials, supplies, and vehicles. This return is filed annually to the locality(s) in which you operate.



EMPLOYER WITHHOLDING TAXES

Many states (with Tennessee being an exception) have a state income tax on the wages earned by the employees of the business. As a business owner, it is your responsibility to withhold these taxes from your employees' pay and remit to the state. The payment and associated returns for these taxes are due on a wide range of due dates as determined by the state.

UNEMPLOYMENT TAXES

Unemployment is funded by employers through unemployment taxes. This tax is due on each employee that the business employs. The amount of tax imposed is determined by the state based on the employer's experience rating with the state. This return is filed and paid quarterly along with your other payroll tax returns.

MISCELLANEOUS OTHER TAXES

- Property tax
- Wheel Tax/Motor Vehicle Privilege Tax
- Hotel-Motel Tax
- Severance Taxes
- Alcoholic Beverage Taxes
- Other Local Taxes

For more information on state and local taxes that may impact your business, please contact us. Additional information, on these taxes can be found on websites of the department of taxation in the applicable state. ♦

TENNESSEE: www.tn.gov/revenue

VIRGINIA: www.tax.virginia.gov

NORTH CAROLINA: www.ncdor.gov/



**BLACKBURN, CHILDERS
& STEAGALL, CPAS**
60 YEARS AND ACCOUNTING

801 B Sunset Drive | Johnson City, TN 37604
Johnson City | Kingsport | Greeneville | Boone

**PRSR STD
US POSTAGE
PAID
JOHNSON
CITY, TN
PERMIT NO. 26**

CHANGE SERVICE REQUESTED



BCSCPA.COM

Vol. XXVII | No. 3 Fall 2021 | © 2021 Blackburn, Childers, & Steagall, PLC



Do You Do Business in Multiple States?

HERE ARE SOME THINGS TO CONSIDER

State Tax Nexus

BY SHANE CAREY



In order for a state to have taxing power over a business, the business must have some contact or connection with the state. In the tax world, this is known as “nexus.” Specifically, persons

or taxpayers that are doing business **and** have substantial nexus in the state are generally subject to that particular state’s tax system. Thus, this article focuses on precisely what constitutes “doing business” and “substantial nexus.”

“DOING BUSINESS”

A person or taxpayer is considered to be “doing business” if they purposefully engage in any activity with the object of gain, benefit, or advantage. There may be some exceptions in which a business may have activities within a state, but those activities are nevertheless insufficient to constitute doing business within the state.

>> KEEP READING ON PAGE 6