

“BECAUSE ACCOUNTING MATTERS AND WE KNOW IT”

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## Letter from Our President

By Heather N. Vinas, President & COO

To Our Esteemed Clients, Colleagues, Associates & Friends:

As we approach Springtime, we are reminded of the joys that the warm weather, flowering plants, and blossoming trees bring. We cannot help but feel revived and inspired for the months ahead. I am very excited about the progress of 2013, and the blessings it has brought for so many of us. I love meeting with clients and hearing how they are starting to see and feel positive changes. Whether it's an upswing in business or a member of their family celebrating an accomplishment, whatever these blessings are, it is important to take notice of all sizes. I was excited this past weekend to see my 4-year-old son tie one of his shoes all by himself! Whether or not it stayed tied isn't important ☺ It's the little things that mean so much to me, and as we begin to see the greens on the grasses and trees, I hope all of you will be inspired to appreciate the little blessings that come your way each day.

Happy Spring,

*Heather N. Vinas*

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## April 18 Named Tax Freedom Day

By Roger Russell, *Accounting Today*

Tax Freedom Day -- the day when Americans will have earned enough to pay their total tax bill for the year -- won't occur until April 18 this year, five days later than last year, according to the nonprofit think tank that compiles it. And American taxpayers will spend more in taxes in 2013 than they will on food, clothing, and housing combined.

To compute Tax Freedom Day, economists at the Tax Foundation divide all federal, state and local taxes by the nation's income. They use federal budget projections, data from the U.S. Census Bureau and the Bureau of Economic Analysis, and projections of state and local taxes.

Tax Freedom Day is five days later than last year mainly due to the fiscal cliff deal that raised federal taxes on individual incomes and payroll. In addition, the Affordable Care Act's investment tax and excise tax went into effect.

If federal borrowing (which represents future taxes owed) is included, Tax Freedom Day would occur on May 9, 21 days later. The latest ever deficit-inclusive day occurred during World War II, on May 12, 1945.

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The total tax burden borne by residents of different states varies considerably, due to differing state tax policies and because of the steep progressivity of the federal tax system, which results in higher-income states having a later Tax Freedom Day: Connecticut's comes on May 13, New York's on May 6, and New Jersey's on May 4. At the opposite end are residents of Mississippi and Louisiana, who celebrated their Tax Freedom Day on March 29.

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## Payroll Audits Put Small Employers on Edge

**Tax Crackdown Comes as Use of Contract Workers Grows; Companies Find Rules Unclear**

By *Angus Loten and Emily Maltby; WSJ.com*

Internal Revenue Service auditors showed up with little warning at Brian Robinson's staffing firm in Atlanta a year ago, seeking to verify that a dozen outside contractors he had hired to handle his information-technology services weren't, in fact, full-time staffers.

The audit was part of a government crackdown on employers who misclassify workers as independent contractors to avoid paying payroll taxes, and other employment-related expenses.

Mr. Robinson says the auditors ultimately found that his 30-year-old family business, TRC Staffing Services Inc., with its 100 permanent employees and up to 20 temporary workers, was in the clear. But he says the audit was "nerve wracking" because tax law doesn't make it easy to distinguish between full-time staff and independent contractors doing full-time work. He says the legal distinction can be confusing even for an employer with his decades of experience in the labor market.

The appeal of using outside workers is growing as many small

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businesses struggle to stay lean. Some employers also are turning to contractors to avoid hitting the 50-employee threshold that would require them to pay for employees' health insurance, starting next year, under the federal health-care law, or pay a penalty.

State studies have shown that local businesses misclassify anywhere from 10% to more than 60% of their workers as independent contractors. Many business owners blame the complex tax code, which doesn't offer black-and-white standards for telling the difference. The distinction is based on the employer's degree of control over a worker, the length of the relationship and a series of other factors. But such factors are open to interpretation. Past court cases on the issue have had different outcomes, providing little guidance.

In the past three years, the IRS, working with the Labor Department and officials in more than a dozen states, set a goal of investigating 6,000 employers, like Mr. Robinson, to ensure their workers are properly classified. Since September 2011, the government has collected \$9.5 million in back wages for more than 11,400 workers who were misclassified as independent contractors by their employers, the Labor Department says.

The crackdown is aimed in part at boosting tax revenue. Employers don't pay or withhold income taxes, Social Security, Medicare or unemployment taxes for independent contractors, as they do for staff workers. The U.S. Treasury estimates that forcing employers to properly classify their workers—while tightening so-called "safe harbor" rules that provide them with leeway in determining who is and isn't an employee—would yield \$8.71 billion in added tax revenue over the next decade.

Despite the threat of a payroll audit, more small employers are finding that independent contractors are essential to remaining competitive. The number of small firms that rely on outside contractors, for everything from technology services and public relations to marketing and sales, has grown sharply over the past five years, according to SurePayroll, a Chicago-based payroll-management firm whose clients are small employers.

The firm says that the proportion of contractors on the 80,000 small-business payrolls it processes every month has nearly doubled over past six years, rising to 6.7% last month from 3.4% in February 2007.

"As economic situations get tougher, that's when everyone is looking to cut costs," says Lisa Petkun, partner in the tax-practice group at law firm Pepper Hamilton LLP in Philadelphia. "It's significantly cheaper to have an independent contractor."

Using independent workers gives employers flexibility to hire only when there is work to be done, and leaves them with fewer tax obligations—and thus less paperwork—than do regular full-time workers. Using contractors also can cut benefits costs: they typically aren't eligible for such benefits as health insurance and paid maternity leave.

A Michigan State University study estimates that contractors can save employers as much as 40% on labor costs. Indeed, some

business owners say the IRS audits could stifle their ability to grow as demand picks up.

"I'm either going to hire someone full-time to do a job or we just won't do it," says Ciaran Dwyer, chief executive of 3t Systems Inc., a Denver-based IT company with 65 full-time workers. His firm relies on about a dozen outside contractors at any given time, depending on demand, he says.

Rather than risk an audit, and perhaps costly penalties—Mr. Robinson, the staffing-firm owner, says many of his small-business clients are rushing to convert any long-term contract workers into permanent staff.

Mike Johnson, a human-resources manager in Atlanta with over 35 years of experience with small employers, ranging from commercial insurance to telecommunications firms, says a payroll audit is a major disruption for a small business. "Apart from the legal expenses, the downtime is just not worth taking the risk," he says.

In January, the IRS extended an amnesty program designed to encourage employers to voluntarily reclassify contractors as employees by waiving some penalties. Under the program, employers pay as little as 1% of the wages paid to their reclassified workers the previous year, rather than the full amount they owe in back taxes. So far, 1,000 employers have signed on since the program was launched in 2011, the agency says.

In recent years, Congress has proposed various bills to clarify the definition of independent contractors, including as recently as December, though none of the bills has passed.

Chris Whitcomb, tax counsel for the National Federation of Independent Business, a small-business lobbying group, says that without a clear definition of who counts as an independent contractor, many employers don't know whether they are complying with tax rules "until they get audited."

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*"Success is to be measured not so much by the position that one has reached in life as by the obstacles which he has overcome while trying to succeed."*

*Booker T. Washington*



## Tax Rules on Early Withdrawals from Retirement Plans

Taking money out early from your retirement plan can cost you an extra 10 percent in taxes. Here are five things you should know about early withdrawals from retirement plans.

1. An early withdrawal normally means taking money from your plan, such as a 401(k), before you reach age 59½.
2. You must report the amount you withdrew from your retirement plan to the IRS. You may have to pay an additional 10 percent tax on your withdrawal.
3. The additional 10 percent tax normally does not apply to nontaxable withdrawals. Nontaxable withdrawals include withdrawals of your cost in participating in the plan. Your cost includes contributions that you paid tax on before you put them into the plan.
4. If you transfer a withdrawal from one qualified retirement plan to another within 60 days, the transfer is a rollover. Rollovers are not subject to income tax. The added 10 percent tax also does not apply to a rollover.
5. There are several other exceptions to the additional 10 percent tax. These include withdrawals if you have certain medical expenses or if you are disabled. Some of the exceptions for retirement plans are different from the rules for IRAs.

For more information on early distributions from retirement plans, see IRS Publication 575, Pension and Annuity Income. Also, see IRS Publication 590, Individual Retirement Arrangements (IRAs). Both publications are available at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

## IRS Offers Top 10 Tax Time Tips



The end of the tax filing season is almost here. Even though your tax return is not due until April 15, you can make tax time easier on yourself by starting now. Here are 10 important tips to ensure a smooth process.

1. **Gather your records.** Round up any documents you will need when filing your taxes, including receipts, canceled checks and other documents that support income or deductions you will be claiming on your tax return. Store them in a safe place.
2. **Report all your income.** You will need all your Forms W-2, Wage and Tax Statements, and 1099 income statements to report your income when you file your tax return. To ensure you don't misplace them, add them to your other records.

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## Five Tax Credits that Can Reduce Your Taxes

A tax credit reduces the amount of tax you must pay. A refundable tax credit not only reduces the federal tax you owe, but also could result in a refund.

Here are five credits the IRS wants you to consider before filing your 2012 federal income tax return:

**1. The Earned Income Tax Credit** is a refundable credit for people who work and don't earn a lot of money. The maximum credit for 2012 returns is \$5,891 for workers with three or more children. Eligibility is determined based on earnings, filing status and eligible children. Workers without children may be eligible for a smaller credit. If you worked and earned less than \$50,270, use the EITC Assistant tool on IRS.gov to see if you qualify. For more information, see Publication 596, Earned Income Credit.

**2. The Child and Dependent Care Credit** is for expenses you paid for the care of your qualifying children under age 13, or for a disabled spouse or dependent. The care must enable you to work or look for work. For more information, see Publication 503, Child and Dependent Care Expenses.

**3. The Child Tax Credit** may apply to you if you have a qualifying child under age 17. The credit may help reduce your federal income tax by up to \$1,000 for each qualifying child you claim on your return. You may be required to file the new Schedule 8812, Child Tax Credit, with your tax return to claim the credit. See Publication 972, Child Tax Credit, for more information.

**4. The Retirement Savings Contributions Credit (Saver's Credit)** helps low-to-moderate income workers save for retirement. You may qualify if your income is below a certain limit and you contribute to an IRA or a retirement plan at work. The credit is in addition to any other tax savings that apply to retirement plans. For more information, see Publication 590, Individual Retirement Arrangements (IRAs).

**5. The American Opportunity Tax Credit** helps offset some of the costs that you pay for higher education. The AOTC applies to the first four years of post-secondary education. The maximum credit is \$2,500 per eligible student. Forty percent of the credit, up to \$1,000, is refundable. You must file Form 8863, Education Credits, to claim it if you qualify. For more information, see Publication 970, Tax Benefits for Education.

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**3. Get answers to questions.** Use the Interactive Tax Assistant tool available on the IRS website to find answers to your questions about tax credits and deductions.

**4. Use Free File.** There is at least one option available for everyone to prepare and e-file a tax return at no cost. Let IRS Free File do the work for you with brand-name tax software or online fillable forms. It's available exclusively at IRS.gov. If your income was \$57,000 or less, you qualify to use free tax software. If your income was higher, or you are comfortable preparing your own tax return, there's Free File Fillable Forms, the electronic version of IRS paper forms. Visit IRS.gov/freefile to review your options.

**5. Try IRS e-file.** IRS e-file is the best way to file an accurate tax return. It's safe, easy and the way most taxpayers file their return. Last year, more than 80 percent of taxpayers used IRS e-file. Many tax preparers are now required to use e-file. If you owe taxes, you have the option to file early and pay by April 15.

**6. Weigh your filing options.** You have several options for filing your tax return. You can prepare it yourself or go to a tax preparer. You may be eligible for free, face-to-face help at a volunteer site. Weigh your options and choose the one that works best for you.

**7. Use direct deposit.** Combining e-file with direct deposit is the fastest and safest way for you to get your refund.

**8. Visit the IRS website.** The IRS website at IRS.gov is a great place to find everything you need to file your tax return. This includes many online tools, filing tips, answers to frequently asked questions, the latest tax law changes, forms and publications.

**9. Remember number 17.** Check out Publication 17, Your Federal Income Tax, on the IRS website. It's a complete tax resource that includes information such as whether you need to file or how to choose your filing status.

**10. Review your return.** Don't rush. We all make mistakes when we rush. Mistakes slow down the processing of your return. Be sure to double check all Social Security numbers and math calculations on your return as these are the most common errors. If you run into a problem, remember the IRS is here to help. Start with IRS.gov.

*"A mediocre person tells. A good person explains. A superior person demonstrates. A great person inspires others to see for themselves."*

*Harvey Mackay*

## Things That Make You Go Hmmm...

### **8 Promises You Should Make Every Day**

*By Jeff Haden, Inc.com*

Make a difference--at work, in your personal life, and in the lives of others. Say these vows to yourself daily--and then follow through. You can be an analytical, data-driven, steely-eyed businessperson all you like, but business is ultimately about people. That means business is also about emotions, both yours and those of the people you interact with every day. Want to make a huge difference in your life and in the lives of the people you care about, both professionally and personally? Say these things to yourself every day--and then vow to follow through on the commitment you make:

#### **I WILL ANSWER THE UNASKED QUESTION.**

Maybe they're hesitant. Maybe they're insecure. Maybe they're shy. Whatever the reason, people often ask a different question than the one they really want you to answer. One employee might ask whether you think he should take a few business classes; what he really wants to know is whether you see him as able to grow in your organization. He hopes you'll say you do and he hopes you'll share the reasons why.

Your husband might ask if you thought the woman at the party was flirting with him; what he really wants to know is if you still think he's flirt-worthy and whether you still find him attractive. He hopes you'll say you do and he'll love when you share the reasons why. Behind many questions is an unasked question. Pay attention so you can answer that question, too, because that is the answer the other person doesn't just want, but needs.

#### **I WILL REFUSE TO WAIT.**

You don't have to wait to be discovered. You don't have to wait for an okay. You don't have to wait for someone else to help you. You can try to do whatever you want to do, right now. You may not succeed. But you don't have to wait. Don't wait.

#### **I WILL APPRECIATE THE UNAPPRECIATED.**

Some jobs require more effort than skill. Bagging groceries, delivering packages, checking out customers--the tasks are relatively easy. The difference is in the effort. Do more than say "thanks" to someone who does a thankless job. Smile. Make eye contact. Exchange a kind word.

All around you are people who work hard with little or no recognition. Vow to be the person who recognizes at least one of them every day.

Not only will you give respect, you'll earn the best kind of respect--the respect that comes from making a difference, however fleeting, in another person's life.

#### **I WILL GIVE LATITUDE INSTEAD OF DIRECTION.**

You're in charge. You know what to do. So it's natural to tell your employees what to do and *how* to do it. In the process you stifle their creativity and discount their skills and experience. Letting

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another person decide *how* is the best way to show you respect their abilities and trust their judgment. In a command and control world, latitude is a breath of freedom and is a gift anyone can give.

**I WILL STOP AND SMELL MY ROSES.**

You have big plans. You have big goals. You're never satisfied, because satisfaction breeds complacency. So most of the time you're unhappy because you think more about what you have *not* achieved, have *not* done, and do *not* have.

Take a moment and think about what you *do* have, professionally and especially personally. At this moment you have more than you once ever thought possible. Sure, always strive for more but always take a moment to realize that all the things you have, especially your relationships, are more important than anything you want to have.

Unlike a want, what you have isn't a hope, a wish, or a dream. What you already have is real. And it's awesome. And it's yours. Appreciate it.

**I WILL LOOK BELOW THE SURFACE.**

Sometimes people make mistakes. Sometimes they piss you off. When that happens it's natural to assume they didn't listen or didn't care. But often there's a deeper reason. They may feel stifled. They may feel they have no control. They may feel frustrated or marginalized or ignored or not cared for. If you're in charge, whether at work or at home, you may need to deal with the mistake, but then look past the action for the underlying issues. Anyone can dole out discipline; vow to provide understanding, empathy, and to help another person deal with the larger issue that resulted in the mistake. After all, you might have caused the issue.

**I WILL MAKE LOVE A VERB.**

You love your work. When you're working that feeling shows in everything you say and do. You love your family. When you're with them does that feeling show in everything you say and do?

*Hmm...*

Love is a feeling, and feelings are often selfish. Turn your feelings into an action. Actively love the people you love. Show them you love them by words and deeds. When you make love a verb the people you care about know exactly how you feel. Make sure they do.

**I WILL BE MYSELF.**

You worry about what other people think. Yet no matter how hard you try, you can't be all things to all people. But you can be as many things as possible to the people you love. And you can be the best you.  
Be yourself. That is the one thing you can do better than anyone else.

**5 Most Destructive Phrases in Business**

By Peter Gasca

To be a better business leader, you need to avoid these five destructive phrases like the plague.

How often have you been in a productive business meeting only to have it come to a grinding halt because of something someone said? It happens all the time. A negative comment or a pessimistic concern can not only bring down morale, it can derail an entire strategy. I am convinced that there is no limit to what a team can accomplish if they were to eliminate these five destructive phrases.

**1. "I can't (fill in the blank)."**

Few other words in the English lexicon irk me more than the word "can't." Okay, technically, it is two words conjugated. Nevertheless, "can't" is a killer. It is one of the most commonly used ways of dodging and dishing off responsibility. It is just another way of saying "won't," as in "I won't do what I need to do to get it done." Remember, whether you think you can or think you can't...you're right.

**2. "That's not the way it's done."**

Like every paradigm throughout history, at some point or another, things change. Conducting business status quo may keep you on the current trend, but to be a standout, you must do and think unlike anyone else. Great ideas and concepts come from disruptors who drive outside the lines, and nothing revolutionary ever came from doing things "the way they are done."

**3. "That's impossible."**

My dad once told me that the only thing that is impossible is for a man to have a baby. Everything else is in the realm of possibility. I replied by saying, "You can't make the sky green." He then proceeded to draw a picture and color the sky green. It was an exaggeration, but I got the point. We are limited only by the limitations we place on our own realm of possibility. And, by his rationale, even my dad was wrong. Arnold Swartzenegger had a baby.

**4. "If we only had money."**

Many entrepreneurs and managers, myself included, often dream and quip of the endless business possibilities we would have if only we had the flexibility of a huge financial war chest at our disposal. Unfortunately, you do not have Apple's \$150M cash reserve, so get used to it. Remember, however, that even Apple started out in a garage with very little money.

**5. "The problem is (fill in the blank)."**

There are 7 billion people in the world. Of them, 6.999 billion of them are really, really good at identifying problems (note: that is not a scientific study). The rest are the successful business leaders who are really, really good at identifying solutions. The only time the word "problem" should come up in a meeting is if it is preceded with the words "I think I've have found a solution to the ..."

If you want to differentiate yourself as a business leader, then 86 these phrases from your vernacular. It goes beyond thinking positively, as you need to act positively as well. And, in order to encourage your colleagues to do the same, I suggest having a "Phrase Jar" at your next meeting. Punish anyone who utters one of the above phrases by requiring them to contribute one dollar to the jar. Require them to deposit two dollars for the word "can't." It is that destructive and annoying, and let's face it, it is actually two words conjugated.

## In The News...

### **One of VOS's Own; Heather N. Vinas Award Recipient BiS GenerationNEXT March 6, 2013**

By [Business in Savannah](#)



Heather N. Vinas

Age: 33

Company: VOS CPAs, PLLC

Title: President & COO

#### **Top accomplishments**

- Nominated to Educational Committee Chair of the National Association of Women in Construction Coastal Georgia Chapter February 2012
- Nominated to Vice President of the National Association of Women in Construction Coastal Georgia Chapter September 2012
- Expanded VOS into the Savannah market in January 2012

#### **Top awards/accolades**

- 2012 President's Award for the National Association of Women in Construction
- Woman on the Move 2011 National Association of Professional Women
- Took my medical device manufacturing company public in February 2009. It was a tremendous amount of work and felt amazing when our S1 was declared effective.

#### **Top philanthropic leadership roles**

- Union Mission Volunteer
- Old Savannah City Mission Volunteer. F
- Block Kids Building Program

#### **Questions for BiS**

1) As a proven local leader, please share your vision of Savannah's future. What growth or challenge do you foresee.....**by the end of 2013?**

The immediate challenge is to sustain education and have citizens become productive in society. They need to become aware of the opportunities and resources currently available and utilize the educational institutions here in Savannah. Our youth must become inspired to be educated, stay in school, and advance to college. They need a pathway to be paved for them. A sophisticated workforce is necessary for growth and advancement of our community and the inner-city must be reached, motivated, and inspired. Without a proper work force, growth will be hindered.....**by the year 2020?**

Continued education and retention for the next generation who graduated from college.....**by the year 2030?**

Keeping up with new infrastructure for our city

2) How will you do business differently in the coming year or decade?

My core values never change but as technological advances continue to emerge, I will continue to incorporate them into our practice to be even more productive in our business inputs and outputs.

3) What technological or cultural advances are you looking forward to in the coming year or decade?

More public educational-focused initiatives for increasing the completion and retention of our youth in schools by allowing the public

school systems to have the same technology (both hardware and software) available that is offered in the private schooling system, and offering the ability for students to acquire the technology outside of the classroom. If they are not trained on the educational benefits of the technology, they will not be empowered to learn how to offer themselves to the workforce as an asset.

4) What qualities or assets will distinguish Savannah and preserve/advance our local economy?

Savannah has the historical significance with the rich architecture, and the port that make it unique and appealing and continues to have the potential for significant business expansion. With continued growth come new opportunities. Savannah is also a surprising location by many for its restaurants. There is a tremendous amount of wonderful restaurants and there seems to be a steady increase of new eateries. I also feel that investing more in the roadways for streamlining transport from our ports will not only afford imports and exports to increase, but will also keep our roadways safer which is appealing to everyone. I also believe that increasing international trade assistance for local businesses will drive our local economy and workforce requirements as new markets for Savannah-built products and services open.

5) What economic drivers and business sectors promise the most growth in the next year or decade and why?

The historic district of Savannah by increasing tourist business and activities and the Georgia ports for international trade with increases to the local economy with both import and export.

6) What college degrees will be the most in-demand in the Savannah area and why?

Construction-related degrees. Because there is a demand for the city's infrastructure to be built and maintained in order to allow Savannah the continued opportunity to become a major economic growth influence.

7) What advice do you have for other Savannah leaders in the coming year or decade?

Enjoy what you do, and don't be afraid to go after what you believe in. In the words of the great Theodore Roosevelt, "Nothing in the world is worth having or worth doing unless it means effort, pain, difficulty... I have never in my life envied a human being who led an easy life. I have envied a great many people who led difficult lives and led them well."

8) What innovation of yours do you hope will be remembered by future generations?

The Vycor ViewSite Brain Access System without a doubt which takes a revolutionary approach in brain retraction. Each ViewSite system consists of an introducer and a working channel port that allows the surgeon a seamless entry to the targeted site while distributing brain tissue evenly in a 360° dispersion pattern. Other ViewSite benefits include superior binocular vision to see in and around the surgical site; multiple sizes in different widths and lengths to meet all surgical needs and compatibility with most surgical arms to avoid accidental displacement or movement during surgery.