

Word to the *Wise*



A Newsletter for Clients and Friends of Wouch, Maloney & Co., LLP



Make The Right Decision

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In business, making pricing decisions is always tough – and even more so when the economy is slow and sales are slipping. It's tempting to cut prices hoping to generate higher sales volume. But sometimes that just produces lower margins on a low volume. What do you do if you're being squeezed by cost increases? Can you increase prices in a slow economy? How do you respond if your customers complain? Can you justify holding prices steady if your competitors cut their prices?

There are no easy answers, but running through a three-step process can help you make the right decision.

1. Know your strengths. How does your product or product range stack up against the competition? Are your products higher quality, lower quality, or indistinguishable from your competitors' products? Do you have an edge that can justify higher prices?

How about all the other elements that make up your total service package? Do you provide a bigger inventory, faster delivery, better payment terms, wider product line, better service on returned items? If not, can you change your operations to gain an edge in any of these areas?

Consider holding a brainstorming session with your salespeople to go over these questions. The answers might point the way to pricing decisions, and they'll certainly give you good replies to customer pricing objections.

2. Put yourself in your customers' shoes. Try to understand your customers' needs. Are they under profit pressure? What changes are occurring in their industry? How can you adjust your products or service to add value for them – value that they might be willing to pay for? What are their alternatives if you raise prices? If your salespeople are staying in touch with their customers, they should already have the answers to many of these questions.

3. Know your competition. Run through the same questions you asked about yourself and apply them to your competitors. What are their strengths and weaknesses? What can they offer your customers that you can't? How will they respond if you change prices? Here again, your sales staff should have good information on the competition they face.

When you've worked through these three steps you should have a much better idea of the likely competitive effect of a price change. Run some profit scenarios and then review your pricing decision with your salespeople. Make sure they understand the rationale, and jointly rehearse how they'll present the change to customers.

For assistance with pricing issues in your business, give us a call at 215-675-8364

Tax Filing Reminders

September 15 - Third quarter installment of 2011 individual estimated income tax is due.

September 15 - Filing deadline for 2010 tax returns for calendar-year corporations that received an automatic extension of the March 15 filing deadline.

September 15 - Filing deadline for 2010 partnership tax returns that received an extension of the April 18 filing deadline.

October 3 - Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2011.

October 17 - Deadline for filing 2010 individual tax returns on extension.

Did You Know?

Alabama has a 10 cent tax on a deck of playing cards.

Are Unemployment Benefits Taxable?

Unemployment compensation can provide a welcome buffer while you're transitioning to a new job. But with the help comes a tax effect, because the benefits provided under federal or state laws are usually includable in your income in the year you receive them.

As a result, depending on the amount of unemployment benefits you expect to receive, you may want to complete form W-4V, Voluntary Withholding Request, to have federal income tax withheld from your benefits. The withholding rate is generally 10%. You can also ask the unemployment office to withhold state income tax.

Alternatively, you can adjust or begin making quarterly estimated tax payments. The amount of unemployment compensation you report on your income tax return is also affected by benefits you have to repay. If you receive and repay benefits in the same year, you can subtract the repayment from the total you received.

However, if you make repayments in a year following the receipt of the benefits, the tax treatment depends on how much you repay, and can be claimed either as an itemized deduction or a credit against your current-year tax.

Please contact us if your employment situation changes. We can help with tax and benefit related issues such as severance pay, retirement account rollovers, and deductions related to job hunting.

Going Green?

If you would like to read *Word to the Wise* in electronic format, please visit our website at www.wm-cpa.com and click on Information Resources

Animal Lovers Win Court Case

If you provide care for stray or feral animals in your home for an IRS-approved charity, you may be able to take a tax deduction for your out-of-pocket expenses.

A recent U.S. Tax Court judge ruled that a taxpayer who fostered feral and stray cats in her home could deduct amounts she spent for food, veterinarian bills, litter, and other unreimbursed expenses incurred to help the charity in its mission.

An important requirement for such expenses to be deductible: the taxpayer must keep records of the expenses, and if they exceed \$250, the charity must provide a contemporaneous written acknowledgment of the expenses as a charitable donation.

The Humane Society hopes to get the word out on this case, stating that thousands of members do volunteer work such as this and spend their own money to support the mission of local animal shelters and rescue groups.

"Planning for the Future"

We are pleased to announce the publication of an article written by our Managing Partner, Stephen Wouch, CPA, CFF, entitled "Planning for the Future". You can read Steve's article in the August 2011 edition of *Construction Executive Magazine*. A copy of this article is also included with this newsletter.



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