

BUSINESS

FOR THOSE OF YOU WITH A "LITTLE SOMETHING" ON THE SIDE

SMALL BUSINESS TAX TIPS

by Samuel Morris

Business entertainment is a must for the professional, in fact, it is probably one of the best promotion tools ... and it's tax deductible! Entertainment expenses might be one of the most misused and misunderstood sections of the Internal Revenue Code. It is also one of the things that is constantly monitored by the ever watchful eyes of the IRS. In the free Small Business Tax seminar sponsored by Valley Bank (see the Community Calender) a survey of the participants was made. The attendees showed a surprising lack of understanding about entertainment expenses, which benefits the IRS, not the taxpayer. For instance, most knew that taking a customer to lunch was deductible, but not prospective customers. If you take someone out

to dinner on June 10th are you going to remember how much you spent on April 15th? Probably not. Yet over half of the people surveyed keep no type of diary or other tax record of entertainment expenses. What if you are creative and make up your diary at the end of the year? Besides the fact that creativity is against the law, creative taxpayers often understate their expenses. It's just not the American way to cheat, even on one's taxes...

Do you like to see good customers coming back? Well the IRS is no different. The IRS has found many naughty taxpayers who claim entertainment expenses. Naughty taxpayers fail to meet the five rules of substantiation for entertainment expenses allowing the IRS to disallow the expenses. When you fail to comply with the rules of proof,

your testimony will not be sufficient to support your deduction of entertainment expenses. The IRS knows that you probably aren't fond of keeping a lot of detailed records. After all, if you were you would probably become an accountant and/or IRS auditor. Disallowed expenses result in more money for the Treasury and make the IRS look good, since it is one of the few government agencies that pays for itself.

To deduct a business meal it must be incurred in the ordinary and necessary course of your business. You must also meet the five elements of substantiation to deduct the cost of the meal. Congress once labeled "ordinary and necessary" entertainment expenses to be any expenses with a "slight" business element. The courts have

consistently held that ordinary and necessary include expenses that are helpful, needed, appropriate, customary, usual or normal types of business activities.

Well then, what are your normal types of business activities? What people must you meet and know in order to make

money? Probably just about everyone. Tax tip: For those who depend on referral prospects, friends, family, and others as a source for your business and you have a substantial number of business meals. Establish an audit trail that identifies the prospects that you had to go through

to identify a client. In other words be ready to prove to the IRS that your heavy business meals are an essential element of your business activities.

Morris and Associates are management consultants that specialize in strategies for small businesses.

BUSINESS EXCHANGE

CO-EQUAL OPPORTUNITY

by William Reed

America's Big 3 automotive manufacturers are offering success-oriented African-Americans an opportunity to become progressive entrepreneurs in their own multi-million dollar dealership business in various locations across the country. The automotive business is, and has been, America's largest most important industry. Detroit's Big 3 automakers are making a significant commitment to more equally divide the industry pie, and are seeking to do more business with minorities in various sections of the industry to the benefit of them and us. Executive groups have been formed in each of America's major car companies in an earnest industry attempt to take equal opportunity beyond man-

agement and hourly jobs in their plants and offices to black-owned showrooms and profit centers. Domestic care builders are presently seeking African-American men and women to join the ranks of successful African-American people through their Dealer Development Programs.

The business and management potential for blacks in commercial automotive retailing includes: general dealership management; new and used car sales and management; leasing programs; and service and parts department management. The Big 3 are making giant steps to provide a large number of new minorities from across the U.S. complete, personalized on-the-job, and classroom training to make them successful business people in automotive distribu-

tion. Current Big 3 dealer development programs are aggressive and new efforts to discover, select, train, evaluate and set up in the car selling business qualified African-American candidates.

Black people who elect to enter the motorcar selling business will be at the hub of one of history's most profitable and far-reaching industries. Commercial automotive production began in France about 1890. In the early part of the century U.S. firms established a leadership position in automotive production, employment, and distribution that went unchallenged for half a century. These achievements initially were largely associated with Henry Ford and his introduction of the moving assembly line technique of mass production in 1913. The founding of G.M. in 1908 was of secondary importance to U.S. domination in car making and dealership networks, in its contribution G.M. provided the organizational pattern for successful large-scale motor vehicle production and the movement of the product toward the customer. From the start both Ford's and G.M.'s facilities were located in Detroit, as were Maxwell and Dodge, which were to become parts of the Chrysler Corporation conglomerate in the 1920s.

Today automobiles, and their associated industries, have a major impact on our personal mobility and the way we live. Cars permit people to live great distances from where they work and have eliminated water routes and rail lines as the primary paths for the country's population shifts. Annual automotive production has exceeded 40 million (See Bxchange, Page 23)

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