



STATEMENTS

First Quarter 2018



Something Old... Something New

by Ed Fahey, President

One of the themes in the hit musical Hamilton is “who tells your story?” In this edition of Statements, we are fortunate to tell the story of one of our oldest friends and to welcome some new ones to the firm. The legacy of RINA as a great place for professionals to practice is reinforced by looking at our roots and seeing that they still impact us some seventy-one years later.

It is with great joy that we join in celebrating Leo Helzel’s 100th birthday. Helzel and Company was the predecessor to Rooney, Ida, Nolt and Ahern and Leo has maintained a relationship with the firm for these many years. Personally, I look forward to our annual lunch where he reminds me that there are many opportunities in our profession and the Bay Area’s business community. I first met Leo shortly after joining RINA at a Cal alumni event. As one of the founders of Berkeley’s entrepreneurship program, Leo’s impact at Cal was of course known to me. But when he told me he knew who I was because I was starting at RINA, I was a bit surprised. It was also the first time I heard him say “it is a great time to be an accountant” - a phrase I would hear many times over the years. Years later, I would celebrate Leo’s birthday at a gathering of Cal supporters

who told stories of Leo’s impact on their careers. Many noted that Leo helped get them their jobs, often when they didn’t think they were up to the challenge. But Leo always sees the potential in people and finds opportunities for them to succeed. Lastly, Leo’s book “A Goal is a Dream with a Deadline” is a reminder to us that we should learn from life’s lessons and remember that it is indeed a great time to be whatever we aspire to be.

We also celebrate the still young careers of RINA’s two newest stockholders Kelly Creed and Chris DeMay. In their years at RINA, they have demonstrated the many skills one needs to rise up in our profession. While both are technically strong, it is their ability to successfully engage clients, staff and referral sources that have created this opportunity. We wish them continued success in their new roles.

Finally, we welcome another group of professionals to RINA. Effective January 1, 2018, the team from Sterck Kulik O’Neill accounting group in San Francisco joins RINA. Our relationship with the firm dates back to 1998 and our years of friendly interaction and mutual respect have led to this combination. We look forward to

meeting their clients, utilizing their talents and capitalizing on new opportunities as we move forward together.

It is indeed a great time to be an accountant!



Owning Controlled Foreign Companies

The New Tax Law H.R. 1, which is generally effective for years starting in 2018, includes a provision that will impact U.S. people owning controlled foreign corporations for the 2017 tax year. Generally, H.R. 1 requires U.S. taxpayers owning controlled foreign corporations (CFC) to include their portion of the corporation’s accumulated earnings & profits in income as a mandatory repatriation income inclusion on the 2017 income tax returns. The mandatory repatriation income inclusion will be taxed at a rate of either 15.5% or 8% depending on foreign company’s cash position on the testing dates. Further, going forward, owners of controlled foreign corporations will have limited ability to defer the income in the foreign corporations. If you or your company owns a foreign corporation, you should contact your tax advisor as soon as possible to discuss the tax implications.

MGI Worldwide is a network of independent audit, tax, accounting and consulting firms. MGI Worldwide does not provide any services and its member firms are not an international partnership. Each member firm is a separate entity and neither MGI Worldwide nor any member firm accepts responsibility for the activities, work, opinions or services of any other member firm. For more information visit www.mgiworld.com/legal.

INSIDE THIS ISSUE

| | |
|--|--------|
| Risk and Reward Goes a Long Way | Page 2 |
| Board of Directors Spotlight Part 3 | Page 2 |
| Tax Cuts and Jobs Act | Page 3 |
| RINA Gives Back: Boy Scouts of America | Page 4 |
| First Quarter Calendar. | Page 4 |



Risk and Reward Goes a Long Way

by Pamela Raumer, Business Development Director



Larry and Leo Helzel

One thing every entrepreneur understands is that businesses face risks every day. Success comes to those who act when opportunity presents itself. Leo Helzel is one who sees those opportunities. Members of RINA, past and present, are beneficiaries of his actions.

Leo celebrated 100 years of an incredible life last November. His story is one of an entrepreneur, teacher, attorney, author, philanthropist, World War II Naval pilot,

attorney and CPA. The results of his multiple careers produced a book titled “A Goal is a Dream with a Deadline: Extraordinary Wisdom for Entrepreneurs, Managers and Other Smart People”, a personal guide to getting more out of business and life. This entertaining, wonderfully written book parallels the actual process of starting and running a business from the first burst of inspiration through going public and beyond.

Leo was an Oakland attorney and CPA when he started the predecessor of RINA in 1946. While teaching intermediate accounting at Golden Gate College, he hired Bob Nolt, who was his best student at the time, and soon after, recruited Paul Ida. Both Bob and Paul became attorneys by attending law school at night. Henry Rooney and Jack Ahern joined the firm in the early 1950’s. In 1957, Leo decided he wanted to concentrate on law full time and left the firm as a partner, but remained as a client. He eventually took a risk on new technology for drilling oil wells and has been successful in that arena too.

Leo was instrumental in developing and

teaching the first entrepreneurship course at U.C. Berkeley’s Haas School of Business in 1970. Interest in the early Silicon Valley was so intense that the course had to be moved to an auditorium. In the 1980s, Leo established the Leo B. and Florence Helzel Chair in Entrepreneurship and Innovation. Then, he worked with Dean Dick Holton on courting Howard Lester, founder of Williams-Sonoma, and Jerry Engel, then head of entrepreneurship at Ernst & Young to create the business school’s Lester Center for Entrepreneurship in 1991. Leo was honored by Haas with an “adjunct professor emeritus” title upon retirement in recognition of many years of service.

Through the years Leo has nurtured and counseled many businesses – from start-ups to successful ones looking to move to another level. He has worked with countless individuals to help them advance in their careers and would often match them up with opportunities he heard that would be a great fit for their talents.

Some 72 years later, Leo’s spirit of entrepreneurship lives in all of us at RINA. We are grateful he took a risk in 1946.



Board of Directors Spotlight Part 3

by Howard Zangwill, Stockholder and Joseph Brunel, Audit Manager



Now that you have assembled your board of directors, what comes next? A board’s list of potential duties and responsibilities can seem both overwhelming and endless at the same time. One of the greatest challenges that all boards face is how, when, and where to focus their attention and efforts. It is imperative that a board have a clear sense of direction with a goal-minded purpose. Board members’ time and availability typically come at a premium, so efficient and effective use of that time is crucial to a board’s success.

Whether a board is progressing through its infancy stage of creation and development or a board is seasoned with years of experience, the following 10 elements, written by Vistage International, Inc., are important for all boards to document, review and improve upon continuously throughout its lifecycle:

- 1) Narrative History of the Company – a simple one-page white paper on how the company began, what the milestones and goals are, and where it’s headed in the future is a great tool.
- 2) Five-Year Key Indicator Summary – document the track record of the company with a multi-year historical trend analysis along with future growth expectations.
- 3) Business Plan – draft a concise document of the company’s strategic plan and business goals for all employees to read and work towards.

Board of Directors Spotlight Part 3 *Continued From Page 2*

- 4) Sales Pitch/Literature/Profile – provide this to all employees, as well as to lenders, suppliers, referral sources and board members.
- 5) Trailing 12-Month Charts (TTMs) – include TTMs on sales, gross profit percentages, pretax earnings dollars, receivables, inventory turnover, monthly cash burn and, most importantly, what causes sales!
- 6) Organization Chart and Roles Page – track key employees and stay on top of changes to management roles and responsibilities to hold key employees accountable.
- 7) CEO's Monthly Operations Report – this one-page summary tells the board what happened last month (both good and bad), what should have happened, and what will happen next month (including a forecast).
- 8) CEO's Top Five Priorities – mostly big-picture view, but often includes something smaller that must be fixed or improved upon.
- 9) Company's Top Five Goals – succinct short-term objectives (five goals for the next 12 months) and long-term goals (five goals for the three-to-five-year horizon).
- 10) Strategic Issues Summary – list the key issues facing the company, whether resolved or not.

The list above is not all-inclusive but it does provide a glimpse into the window of a successful and thriving board of directors and how to move a company towards the next level.

To further discuss how to design or improve a strategic initiative or to enable your board of directors to be more effective, contact your RINA representative.



Tax Cuts and Jobs Act

By: Ray Evans, Tax Stockholder

Small-business owners and partners are scratching their heads over the Tax Cuts and Jobs Act and how the new 20 percent tax deduction for pass-through entities will work. Here's some background.

A pass-through entity can be a partnership, S corporation, limited liability company or partnership, or sole proprietorship - most of the country's small businesses. Owners and shareholders of these entities are taxed on earnings based on individual, not corporate, tax rates. Effectively, company earnings, losses and deductions pass through to the individual's personal tax rates, which, in the past, were typically lower than corporate rates. The pass-through deduction was a nice tax break. But things have changed.

In 2017, the U.S. corporate tax rate was 35 percent, one of the highest in the industrialized world. The new bill decreases that rate to a flat 21 percent, which is lower than the top individual tax rate of 37 percent. Earners who fall into that top tax tier would be unwise to claim a pass-through deduction, because their individual rate is now higher than the corporate rate.

To even things out, Congress has enacted a new law allowing pass-through owners to deduct 20 percent of their qualified business income, or QBI (Qualified Business Income) from their personal income taxes, whether or not they itemize. Unlike the corporate tax cut, which is permanent, this pass-through deduction lasts only through 2025, unless Congress extends it.

A 20 percent pass-through deduction can be beneficial. For example, if you have \$100,000 in pass-through income, you can reduce your income taxes by \$4,800 if you're in the 24 percent income tax bracket.

What is QBI?

QBI is the profit a pass-through business makes during a year.

QBI includes:

- Rental income from a rental business
- Income from publicly traded partnerships
- Real estate investments trusts
- Qualified cooperatives

QBI does not include:

- Dividend or interest income
- S corporation shareholder wages
- Business income earned outside the United States
- Guaranteed payments to LLC members or partnership partners
- Capital gain or loss

In order to take advantage of the pass-through deduction, you must have net taxable income from your businesses. If you don't make any profit, you can't deduct 20 percent from nothing. The QBI from each business is calculated separately. If you have several businesses, and one or more loses money in a given year, you will deduct that loss from the QBI from the profitable businesses.

Whether you can take advantage of all, some or none of the pass-through tax deduction depends on how much money you earn and how you earn it. For instance, if your taxable income falls below \$315,000 if married filing jointly or \$157,500 if single, you can take full advantage of the pass-through deduction. But if your taxable income is more than \$315,000/\$157,500, taking the deduction will depend on your total income and the kind of work you do. If you perform a personal service, such as doctor or consultant, you'll lose the deduction at certain income levels.

The new pass-through deduction can be a nice tax break for those who qualify. Contact your RINA representative if you have any questions.

RINA First Quarter

JANUARY

January 15

- Fourth quarter 2017 estimated income tax payments for individuals.

January 31 - paper or electronic

- Form W-2, Wages and Tax Statement to be furnished to employees from employers for BOTH electronic and paper forms.
- Form 1099 to recipients of dividends, interest, non-employee compensation, etc.
- Sales and Use Tax Returns for fourth quarter due.
- Form 940, Annual Federal Unemployment Tax Return for 2017 due.
- Forms DE9 & DE9c, Quarterly Contribution Return and Report of Wages for fourth quarter due.

January 31

- Form W-3 Transmittal, together with Forms W-2 to SSA.
- Form 1096, together with appropriate Forms 1099 to the IRS - when reporting nonemployee compensation payments.
- Form 1096, together with appropriate Forms 1099 to the IRS - for all others when filing by paper.
- Form 1096, together with appropriate Forms 1099 to the IRS - for all others when filing electronically.

MARCH

March 15

- 2017 calendar year S corporation and Partnership tax returns.



accountancy corporation

Established 1946 • www.rina.com
Member of MGI

475 14th St., Suite 1200, Oakland, CA 94612
(510) 893-6908 / eFax: (510) 873-0977 / 1-800-RINA CPA

201 N. Civic Dr., Ste. 220, Walnut Creek, CA 94596
(925) 210-2180 / eFax: (925) 210-2190

625 Market St., 15th Floor, San Francisco, CA 94105
(415) 777-4488 / eFax: (415) 837-1260

STATEMENTS is published quarterly by RINA accountancy corporation for clients, employees and associates

Any tax advice contained in the body of this newsletter was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.

Connect With Us



RINA Gives Back



Boy Scouts of America

Crockett Boy Scout Troop 171
celebrated their 100th anniversary

by Joan Stockholm, Administrative Department Head



Recently, Crockett Boy Scout Troop 171 celebrated their 100th anniversary. The Troop was founded in 1918 and is sponsored by the Lion's Club. We also have another troop, Troop 173, that is sponsored by the Virtus Club and was founded about 90 years ago. As a family, we have been involved in Cub Scouts and Boy Scouts for about 33 years. I have been a part of the Crockett Troop for 24 of those years.

Our troops strive to teach young men about the outdoors through camping and high adventure trips. In the process, they will earn merit badges and advance through the various ranks from Scout through Eagle. Two of my boys achieved the Eagle Scout rank. They didn't realize at the time how many skills they were able to apply in their adult life and it also made them desirable candidates when going on job interviews.

Of all the roles I have had, I enjoy my role as Advancement Chair the most. I help each Scout to advance in rank by giving them the support and necessary resources. It is so fulfilling to watch these boys come in when they're 10-11 years old and watch them grow into wonderful, respectful young men.

The goals for each Scout are character development, citizenship training and personal fitness. Along the way, they are exposed to many activities and locations they might not ordinarily be able to do or see. Our troop participates in many camping trips, hikes, climbing and rappelling, rafting and snow trips, etc. One major trip they go on every 4-5 years is to Washington DC for two weeks; a wonderful learning experience.

Crockett may only have a population of a little over 3,000 people, but we get incredible support from both individuals and local industry to be able to provide these activities at no or low cost. In turn, the boys give back in many ways with various forms of community service.

I feel very fortunate to be able to give back to an organization that has given me and my family so much.