Your Future is Our Focus

RINA
accountancy corporation

STATEMENTS

Second Quarter 2019

RINA Accountancy Corporation Announcement

We are pleased to announce our new leadership and executive committee. Tom Neff is our President & CEO, Robin Brotman is our COO and Chris DeMay is our CFO. Together, they will provide the vision and focus for RINA Accountancy to thrive and grow into the future.

Tom Neff is a tax stockholder in the Oakland Office and has been with RINA since 2002. His goal as a visionary and strategic leader is threefold:

1) To engage and grow future generation of leaders in a time of transition for the firm, and work with our younger staff to develop their leadership abilities.

2) To understand how the profession is changing and evolving and continue to innovate and adapt to the market and accounting industry demands.

3) To no longer be historians - firms that will succeed and thrive in today's environment know that we need to develop the skills to truly be a business partner to our clients.

Robin Brotman is an audit stockholder and is the Walnut Creek Office head and has been with RINA since 1981. Robin's role as head of operations is all about people and processes. With her many years of experience with RINA clients and employees, she brings insights and an understanding of key trends that keep the firm moving in these changing times while maintaining a high level of well-trained staff.

Chris DeMay is a tax stockholder in the San Francisco Office and began his career at RINA in 2012. Besides the normal CFO duties such as signing checks, reviewing budgets, tracking cash flow and reporting the results of RINA's financial statements, Chris is looking to play a more strategic role. He wants to leverage our staff's talents and skills to focus on the challenges that have been created by the many changes in the accounting industry (technology, commoditization of compliance services, increased competition). We are relying on our next generation to not only be sustainable, but to generate continued growth.

Did You Know That RINA Provides Notary Public Services?

By Amanda Vergara, Marketing Coordinator

Mary Trimble, Administrative Professional who specializes in accounts payable and notary services has been with RINA for 31 years. She has been a notary for the firm since 1996, serving both RINA clients and those of RINA employees and their families. Her services include notarizing documents such as wills, trusts, deeds of trust and any other type of mortgage documents. As the notary, Mary is required to not have a vested or financial interest in the documents being notarized.

Her role is to notarize signatures on documents and to verify that the people signing the documents are who they say they are. They must provide valid proof of identification either with a current government issued form of identification which must include a photograph, or through credible witnesses. The rules for notarization over the past 20 years have changed with the increase in security and fraud.

Mary Trimble
Notary Public

Mary is available to notarize documents Monday through Friday, 8:00 am to 4:00 pm. Appointments are preferable and you can contact her at mtrimble@rina.com or 925-210-2180. Please keep in mind that you will need to know what type of notarization you require - acknowledgement or a jurat and that the document must be complete in order to be notarized.

Mary looks forward to assisting with your notary needs.

INSIDE THIS ISSUE

Are You Expecting a Large Tax Bill This Year?

By Chris DeMay,
Tax Stockholder & CFO

Roshan Weeramantry,
Director of RINA Wealth Management Services LLC

There still may be time to invest your 2018 capital gains into an opportunity zone. Opportunity Zones serve as a powerful vehicle to defer capital gains, receive tax breaks and ultimately increase after-tax IRR (Internal Rate of Return).

The Opportunity Program was released as part of the 2017 Tax Cuts and Jobs Act. The new law generally provides for the temporary deferral and partial exclusion of gross income on gains reinvested in a "qualified opportunity fund" as well as the permanent exclusion of gains from the sale or exchange of an investment held for at least 10 years in such a fund.

An Opportunity Zone (OZ) is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. The list of opportunities can be found at this address: https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx.

Opportunity zone investments offer greater flexibility to the popular 1031 exchanges that are used to defer tax on appreciated real or tangible property. A 1031 exchange requires reinvestment into property of a like-kind, requires identification within 45 days of sale, and both principal and the gain must be invested into the new property; while the OZ investment can include personal property, stock, and partnership interests, no 45-day requirement, and only the gain must be invested into the OZ.

Investing in an Opportunity Zone yields three types of attractive benefits: 1) Capital gains tax deferment 2) Capital gains tax reduction and 3) Capital gains tax elimination.

Capital gains tax deferment
Using cash proceeds in the amount equal to the capital gain to reinvest in a Qualified Opportunity Zone (QOZ) gives investors a deferment on paying those capital gains taxes, either until that new interest is sold or until the year 2026, whichever comes first.

Capital gains tax reduction
To get a 15% reduction in paying capital gains tax from the sale of old property, an investor must use profits from that sale to reinvest in an QOZ within 180 days of that sale. Further, they must finalize that new QOZ transaction before the end of 2019 and hold onto that investment through 2026. This fulfills the new tax code's seven-year requirement. The 15% reduction is reduced to 10% if the gains are invested into the QOZ by 2021 and held until 2026.

Capital gains tax elimination
In order to completely eliminate capital gains tax, investors must purchase a new investment in a QOZ (using their previous capital gain cash proceeds) and they must hold that investment for ten years or longer. The capital gains tax is eliminated on the future sale of the investment. In other words, one would still have to pay deferred and potentially trimmed capital gains tax on their old investment in 2026, but when that Opportunity Zone investment is sold, if it were held for ten years or longer, no capital gains tax would be due on the appreciation in excess of their original investment.

Important Point - Eligible gain must be rolled-over within 180 days of the date of the sale of the asset to qualify for the deferral. The tax regulations clarified that both short-term and long-term capital gains shall be the only source of investment. The 180-day period with respect to any eligible gain begins on the trade date. For a partner or an S corporation shareholders' distributive gain, the trade date is the last day of the tax year. Where large gain distributions are expected from your flow-through investments, you will have until the end of June 2019 to reinvest your gain into the Opportunity Zone to defer your distributed 2018 gain.

From a financial planning perspective, we believe that Qualified Opportunity Zone (QOZ) investments can be used in the estate planning process in conjunction with trusts, donor advised funds and other legacy planning strategies. The deferral can be a valuable component of the overall strategy, but the elimination of capital gains tax on QOZ investments held for ten years is the most attractive part of the tax benefit. Because of this rule, investors should consider avoiding the liquidation of these investments early to avoid losing these substantial benefits.

The illiquid nature of Qualified Opportunity Funds (QOFs) require that investors will have to be extremely selective about how much they allocate in their overall portfolios, especially if funding comes from capital gains as a result of liquid securities. To the extent an investor has already realized capital gains that need to be reinvested, QOFs should be among the options considered for any new private investments. While the tax benefits are attractive it is critical to invest with reputable fund sponsors with a demonstrated track record and a roadmap for creating liquidity and returning capital to investors. This should be a part of any investor's due diligence process when considering an investment in QOFs. While many QOFs are focused on real estate, there are additional funds planning to focus on various types of infrastructure i.e. renewable energy. Additional investment options like infrastructure and development projects have the potential to offer diversification to investors outside of traditional real estate and may also have wide appeal amongst investors wishing to align themselves with more Socially Responsible Investments.

** The information above does not constitute tax or legal advice. Before proceeding, you should always evaluate your own tolerance for risk and consult with your tax professional and competent legal counsel.*

** Advisory services provided through RINA Wealth Management Services LLC, A Registered Investment Advisor.*

What Keeps Business Owners Awake at Night?

By Pamela Raumer, Business Development Director

Charles Sterck, the leader of RINA's Strategic Growth Advisors, asks what thoughts keep you awake at night. Are you worried that you don't really know how your business is doing? Wonder if increasing prices will increase profits or drive away customers? Is your business organized so that the team is happy and efficient?

"After starting out in a large, traditional firm 40 years ago, I discovered that my passion was helping business owners get joy from their work," Charles explains. "I get the most satisfaction helping individuals turn financial data into useful information they can act on."

Charles has teamed with fellow CPA Geoffrey Kulik to provide professional planning and strategic development services for over 20 years. Charles, Geoff and other professionals at RINA Strategic Growth Advisors offer over 15 established consulting workshops and programs to "Facilitate Financial Freedom" for entrepreneurs.

"We help business owners work ON their business and not IN it," Geoffrey says. "The day-to-day operational busyness keeps too many people from thinking strategically or even understanding the financial reports their computers give them. We help you see the bigger picture and develop concrete actions to improve your operations and financial situation."

The Strategic Growth Advisors first meet with an owner to determine the organization's priorities. Maybe the owner is really having nightmarish fears, or maybe the business is doing well, and the stakeholders are energized to make their operations more powerful, profitable, and fun.

"Sometimes the first step is to help owners discover more about their business by developing Key Performance Indicators, Flash Reports, and improving their chart of accounts," Charles says. These activities can transform random factoids into insights.

"What you can measure, you can manage and what you can manage you can leverage" is one of the Strategic Growth Advisor's mantras. Learning what to measure and how to get meaningful information from financial reports can change an organization's entire culture and fiscal outlook.

"Other times, a client's organization really needs to start off by deep thinking," Geoffrey suggests. RINA has sessions for strategic planning, a "discovery day", a goal setting workshop, examination of the organizational structure, and other global concepts.

Supplementing the structured approach to learning and planning, RINA's Strategic Growth Advisors provide on-going support to reinforce a business' determination to change and use best practices. RINA advisors can conduct monthly follow-on sessions to review KPI and financial monitoring. They also help organizations establish and run customer and team advisory boards.

"We have a comprehensive set of tested tools," Charles says. "Our experience allows us to create a program that will provide business owners with the insights and support they most urgently need."

In addition to the consulting services which boost the skills and abilities of the client's team, the Strategic Growth Advisors also help businesses with targeted infrastructure support including providing temporary professional Chief Financial Officer personnel (CFO as You Grow) and the opportunity to network with other leaders in a monthly Business Development Roundtable.

"Businesses don't plan to fail, but they fail to plan," concludes Geoffrey. RINA's consulting services can help you plan so you don't ever fail!"

In Memoriam

LEO HELZEL

November 1, 1917 – March 21, 2019

Leo was a remarkable and unique individual—accountant, attorney, entrepreneur, professor, author, philanthropist, friend, and family man. He will be deeply missed. Contributions in Leo's memory may be made to the ***Magnes Collection of Jewish Art & Life***
UC Berkeley, 2121 Allston Way,
Berkeley, CA 94720
givetocal.berkeley.edu/magnes

Divorce Under the New Tax Law

By Ashley Crawford, Tax Senior

If you are divorced, in the process of divorcing, or have a prenuptial or post-nuptial agreement in place, the new tax law affects you.

You may have heard that there were changes made to the deductibility of alimony payments. Under the old rules, an individual who pays alimony can deduct the alimony paid from taxable income and those payments are then taxable income to the recipient spouse. Under the Tax Cuts and Jobs Act (TCJA) passed December 22, 2017, there is no longer a deduction for alimony for the payer, and alimony is no longer includable in the taxable income of the recipient. So, for divorces and legal separations that are executed (came into legal existence) after 12/31/2018, the alimony-paying spouse won't be able to deduct the payments, and the alimony-receiving spouse won't include them in gross income or pay income tax on them.

—CONTINUED ON PAGE 4

RINA Second Quarter

APRIL

April 1

- Alameda, Contra Costa, Marin, Napa, Sacramento, Santa Clara, San Francisco, San Mateo, Solano and Sonoma counties business property tax statements for 2019 due.

April 15

- Foreign Bank Account Reports (FinCen Form 114) for 2018 - Note: unlike tax returns, FBARs do not have a next-business-day rule if the deadline falls on a Saturday, Sunday or legal holiday.
- Form 1040 - 2018 individual income tax returns due.
- Form 709 - 2018 United States gift tax returns due
- Form 1041 - calendar year 2018 trust and estate income tax returns due.
- Form 1120 - calendar year 2018 C-corporation tax returns due.
- First quarter 2019 estimated tax payments due for individuals, trusts and calendar year corporations.

MAY

May 7 (Late after 5:00 p.m.)

- Legal deadline for filing 2019 business personal property statements without incurring a 10% penalty.

May 15

- Forms 990 (series) - calendar year 2018 Exempt Organization tax returns due.

JUNE

June 17

- Second quarter 2019 estimated tax payments due for individuals, trusts and calendar year C-corporations.

RINA
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

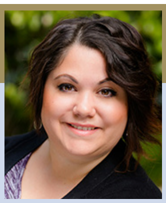
201 N. Civic Dr., Ste. 220, Walnut Creek, CA 94596
(925) 210-2180 / eFax: (925) 210-2190

150 Post Street, Suite 200, San Francisco, CA 94108
(415) 777-4488 / eFax: (415) 837-1260

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

Connect With Us

RINA Gives Back



Gilead House

By Amanda Vergara, Marketing Coordinator

Carrie Whisler, Human Resources Director, has been involved in Gilead House for 15 years. Gilead House's mission is to inspire hope and empower single homeless moms and their children toward financial stability and independence. They give the community a place to come together and be the hand of help to those in need by offering life-changing programs. Carrie started on the board, has been a volunteer at various events and is currently the bookkeeper. "Being part of an organization that is impacting the lives of moms and their children and the community as a whole in such a positive way means everything." Gilead House will be celebrating their 20th Anniversary on June 1, 2019. For more info, visit their website, www.gileadhouse.org.

Divorce Under the New Tax Law —*Continued from page 3*

The new TCJA rules don't apply to existing divorce and separation agreements. The old rules continue to apply to agreements already existing before 01/01/2019. However, some taxpayers may want the new rules to apply to their existing agreement. Under a special provision, if taxpayers have an existing (pre-01/01/2019) agreement which is legally modified after 12/31/2018, the new rules can apply to that modified agreement if the modification explicitly provides for it.

There may be situations where voluntarily applying the TCJA rules is beneficial. A significant change in the income levels of the alimony payer or the alimony recipient could be enough reason to consider renegotiating existing divorce agreements. Another reason is that the loss of the full deduction for state and local taxes for a taxpayer in a high-tax state might have enough economic impact to create a hardship due to a substantial tax increase. Lastly, many agreements include provisions specifying which party will claim tax exemptions for their dependent children. Under the TCJA, these exemptions have been suspended until 2026. In the meantime, taxpayers who negotiated for the exemptions by giving up other items of value in the divorce settlement will find that this bargained-for benefit has evaporated.

The Tax Cuts and Jobs Act will have a significant impact on existing and future divorce agreements. If you would like to discuss the impact of these new tax rules on your particular situation, please give us a call.