Client News
SPRING & SUMMER | 2021

In This Issue...

KRD Client Profile

Taskforce HR Creates Service Delivery Model...

Uniquely Customized to Meet Client Specific Needs.

One size definitely does not fit all. Taskforce HR principal, Jay Petrick, along with partner Jeff Hughes, knew this to be true, especially for HR outsourcing, a space in which they both have many years of experience. In 2011, they set out to create a company that offered small to mid-size companies a single source solution for their human resources, payroll, insurance and retirement service needs.

"There used to be just two choices for HR outsourcing providers, large corporate entities offering, and charging for, an exhaustive portfolio of services and 1-800 bare-bones operators," noted Petrick. "The need for a service model focused on unique customer needs was clear. And that's how Taskforce HR came to fruition."

Valued Services. Unmatched Expertise. Lasting Relationships.

Outsourcing of HR services is a dynamic segment of business process outsourcing, powered by companies seeking increased efficiencies and reduction of the administrative burden, freeing up resources to focus on core business objectives. Taskforce HR's clients benefit from this model and receive the added advantage of in-house expertise and a commitment to value that is second to none. Jay and his partners, Jeff Hughes and Kris Petrick, take the time and effort necessary to understand the client's business and, most importantly, their human capital needs.

"At Taskforce HR we truly believe our high-touch approach helps us identify a client's specific needs. Whether it's a full service solution with the look and feel of a PEO (professional employer organization) or a suite of select services, we create a cost-effective, customized solution, integral to their overall success." comments Petrick.

By embedding themselves within the organization, Taskforce HR creates a seamless experience for employer and employee alike. This all requires added time, attention and expense on their part, but it pays off. Taskforce HR averages a 97% client retention rate and has seen revenue growth almost every year, including 2020.

A Challenging Year. A Brighter Future.

The past year tested everyone's mettle – both personally and professionally. Taskforce HR was right there in the trenches too. Not only did they have to ensure the well-being of their employees, but they also came to the aid of others as well. By becoming SMEs (small and mid-size enterprises) on government pandemic policy they were able to help their clients navigate the often confusing and ever-changing information being disseminated. Being there through thick and thin is in Taskforce HR's DNA. According to Petrick, "it solidified our position as a trusted partner and not just another expendable vendor."

As things move forward Jay's advice to employers is spot on. "The need to be flexible is more important now than ever. It's hard to know what someone is going through and keeping an open mind with your employees, and one another, will not only help us all collectively but help your company prosper in the years to come."

Similar Values. Trusted Partners.

Taskforce HR and KRD's symbiotic relationship transcends the nature of a typical financial consultant/client arrangement according to Petrick. "Steve Gillette and KRD have helped us in so many ways. Not only do we rely on their expert business advice, but they also impart intangible knowledge that we can pass on to our clients, which helps everyone succeed on multiple levels."

TASKFORCE HR

Financial Reporting Best Practices

When it comes to financial reporting, most people think only of financial statements. These include the standards: the income statement (also known in some organizations as the "P&L" or "Profit and Loss Statement") the balance sheet, and the cash flow statement. These reports provide valuable insights into historical business results. And they are all critical indicators of a business's financial results and even long term viability. But they aren't enough. They meet the minimum requirements of many external reviewers of financial information – namely bankers and investors and they conform to accounting standards. But how useful are they in making business decisions?

There may be other standard reports that provide managers and teams with the insights they need to make decisions. But they generally must be delivered in as close to real time as possible and that may mean that they aren't always 100% accurate (or reconciled to the bank account.)

Consider these other sources of information:

1. *Financial Dashboards – look for online tools that show key business ratios, including financial and non-financial measures like Revenue per Square Foot, Cost per Employee, or Clicks Per Visit to the Website.*
2. *Operational Reports – these generally come from systems that are outside of the core accounting application like point of sale systems, production management applications, or time and billing systems.*
3. *Benchmarking Solutions – these systems often provide industry statistics that help organizational leaders compare their results to other similar businesses.*
4. *Specialized Visual Reporting Solutions – tools like Microsoft's Power BI provide built in tools that convert standard information into visual insights using maps, charts, interactive graphs and more. These tools make it easy to integrate financial information with operational details with automated connectors.*

When it comes to reporting, the right solution should be dictated by the unique needs of your users, and should not be limited to the standard reports available in your core accounting application. Reports should be accessible to all those charged with driving results and available as close to real time as possible. Today's automated solutions make the task of converting data to insights far easier and more effective.

We can help you discover the right tools for sharing information with everyone in your organization and beyond. Identifying the factors which impact your success is the first step.

Contact Lauren Clawson at lclawson@krdcpas.com for more information.

KRD/CAAS WEBINAR

Metrics & Business Performance: Looking Beyond Standard Financial Reports
When: June 15, 11:00 am – 12:00 pm CST

Join us for an informative webinar where we will be discussing the importance of establishing performance metrics and having a reporting system that helps you better monitor the critical operational activities and identify the connection between daily activities and their financial outcomes. This is part 1 of a 4 part series.

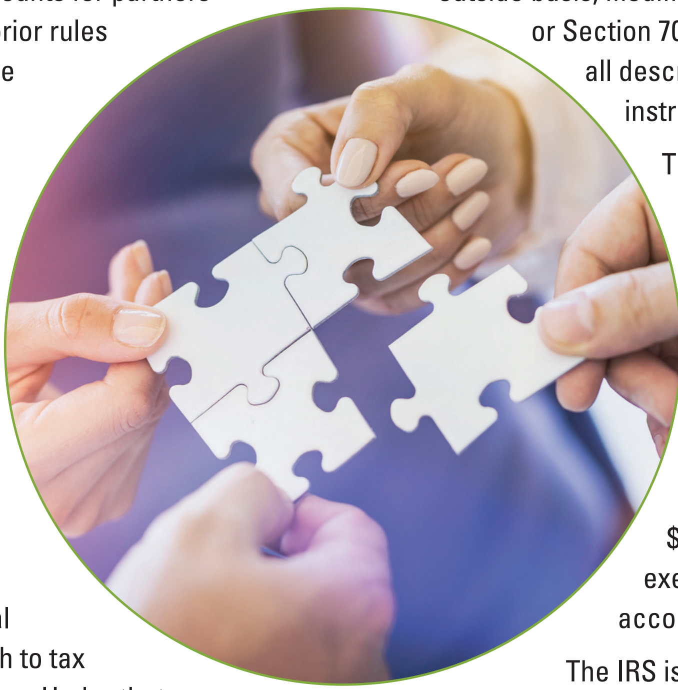
Attendance is limited, so register today. Type the link below into your web browser to register:

http://krdcpas-5829586.hs-sites.com/metricsandbusinessperformance-june-webinar

Partner Capital Accounts Required to be Reported on Tax Basis for 2020

In response to the Tax Cuts and Jobs Act of 2017, there were a number of changes to the disclosure requirements for partnerships and LLCs filing as partnerships – specifically, on the K-1s of Form 1065 returns, some of which became effective for the 2019 tax year.

For the current (2020) tax year, however, the most significant change relates to the reporting associated with partner capital accounts. Beginning with the 2020 year, partnerships are required to report capital accounts for partners using the tax basis method. The prior rules allowed the capital accounts to be reported in accordance with Generally Accepted Accounting Principles or Section 704(b). This will no longer be permitted.



According to IRS, most partnerships/LLCs taxed as partnerships have already been reporting capital accounts on a tax basis. For those taxpayers, no change is required.

For partnerships that were not using tax basis, the "transactional approach" must be used to switch to tax basis for capital reporting purposes. Under that approach, partnerships use partner contributions, the partner's share of partnership net income or loss, withdrawals and distributions, and other increases or decreases using tax basis principles, instead of reporting using other methods such as GAAP.

For those partnerships that have never used tax basis, since many partnerships would have difficulty reconstructing tax basis, the IRS is allowing them to re-figure beginning basis using one of a number of options including the modified outside basis, modified previously taxed capital, or Section 704(b) methods. These options are all described on page 32 of the Form 1065 instructions.

The same basis method should be used for each partner. IRS is not assessing penalties as long as the calculation is done with "ordinary and prudent business care."

"Small partnerships," which are defined as having less than $250,000 in total receipts under $1 million in total assets, are exempt from reporting capital accounts on the tax basis.

The IRS is hoping this new disclosure will assist in assessing compliance risk and result in fewer audits for compliant taxpayers.

International Corner

As a member of GGI, KRD is able to assist your organization with international financial decisions and offer suggestions for international professional service firms.

Our firm publishes articles in GGI newsletters several times a year, which can be found on our blog or on GGI's website.

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In This Issue...

Serving Clients for Over 30 Years

What is the Difference Between Your Marginal Tax Rate & Your Effective Tax Rate?

Have you heard the phrases "marginal tax rate" (or tax bracket) and "effective tax rate" and wondered what the distinction is between them? In order to explain the difference, it is first important to note that in the U.S., we do not pay a flat tax – we are on a graduated system and therefore pay taxes in tiers.

Let's say that you are a Single filer, and you have taxable income of $60,000 for the 2020 tax year. According to the IRS tax tables, that puts you in the 22% tax bracket – in other words, that is your marginal tax rate. Twenty-two percent of $60,000 is $13,200, but luckily, you don't have to pay that much. If you calculate the tax based on the 2020 IRS Tax Tables, the amount of tax is $8,990, which is less than the $13,200 based on the 22% marginal rate.

This scenario illustrates the difference between your marginal tax rate (tax bracket) and your actual effective tax rate. Even though you would be in the 22% bracket based on $60,000 of income, you do not pay 22% flat tax. You would pay less than that since there is one bracket below your tax bracket: the 12% bracket. (There are really two for you math geeks: 12% and 0%.)

The rate that you actually pay in taxes is your effective tax rate. This rate is unique to you individually and is simple to calculate. Just take your total tax liability and divide it by your taxable income. In our example, that would be $8,990 / $60,000 = just about 15 percent. Compare that to the 22% marginal rate and it sounds pretty good!

The effective rate is often more useful because it gives you an average rate you pay on all the money you make during the year. It is much more accurate in terms of gauging what you might owe based on your projected taxable income. In most cases, the effective tax rate is less than the marginal rate.

The marginal tax rate is still helpful to know for tax planning. For example, you can get a feel for how much potential benefit you could receive from an additional deduction. For example, how much would you benefit from making a $6,000 IRA contribution? Your taxes would be reduced by $1,320, or 22% of $6,000. Looking it up in the tax tables is another way to double-check the math and yields the same savings.

Understanding the difference between your effective and marginal tax rates makes you a smarter taxpayer!

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