

3 Questions With Andrea Moe, Director of Product Marketing, Sage Peachtree

Sage (www.sage.com) is a leading supplier of business software, services and support to more than six million customers worldwide. Though its roots are in the small business market, the global company also offers the experience and expertise to meet the needs of specific industries and larger organizations. One of its flagship products is Sage Peachtree, which has been meeting the unique accounting needs of small businesses across industry sectors for more than 30 years. In this issue, Andrea Moe, director of product marketing for Sage Peachtree, discusses the impact of financial reforms on small businesses, changing 401(k) regulations and how to prepare for year-end.

What financial reforms are having or will soon have the greatest impact on small businesses and how is Sage helping its customers navigate these changes?

This is a great question! Numerous legislative changes have affected small businesses over the past couple of years and navigating through them to understand “what’s in it for me?” has been challenging. There are too many to fully cover here but there are a few key changes that all small businesses need to be aware of:

- **Payroll Tax Changes:** The Federal Unemployment Tax Act (FUTA) surtax expired on June 30, 2011. This surtax was a 0.2 percent temporary portion of the 6.2 percent gross unemployment tax rate that employers pay on the first \$7,000 of wages paid annually to each employee. Typically, employers can take a credit against their FUTA tax for amounts paid into state unemployment funds. The credit may be as much as 5.4 percent of FUTA taxable wages. In this case, if an employer is entitled to the maximum 5.4 percent credit, the FUTA tax rate after credit is 0.8 percent. There are a few criteria that a business must meet to be able to take the maximum credit. For most, if you aren’t in South Carolina, Indiana or Michigan and you paid all of your SUTA taxes that are due, on time and in full, you should be eligible. For 2012 and beyond, the savings will amount to \$14 per employee—assuming the \$7,000 taxable wage base will remain the same.

So what happens when the FUTA tax rate drops to 0.6 percent effective July 1, 2011? Employers will need to separately track FUTA taxable wages paid before July 1, 2011 and those paid after. Sage Peachtree is making changes to how we calculate and print IRS Form 940 to accommodate the two different FUTA rates for calendar year

- **Small Business Jobs and Credit Act (H.R. 5297):** In short, the Act created a \$30 billion small business lending fund and provided \$12 billion in tax breaks. One intention of the Act was to soften the economic impact on small business employers—allowing them some options so that jobs provided by small businesses are less affected by economic conditions. The other desired behavior outcome is increased investment. If you are an entrepreneur or small business on the fence about making a new investment, there are more opportunities to secure loans, microloans, and express loans from or through the Small Business Administration (SBA).

The Small Business Jobs and Credit Act also extended the elimination of some loan fees and increased guarantees on a 7(a) loans. These businesses generally export to foreign countries, operate in rural or underserved areas or are a part of a special loan program. The SBA has more information about 7(a) loans here: <http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs/7a-loan-program>

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- **American Recovery and Reinvestment Act:** Although the Recovery Act was signed into law in February 2009, and many of the tax cut and unemployment objectives were intended to be more short-term in nature, there are several aspects of it that have longer positive effects for small businesses. Infrastructure improvements, such as construction, repairs of roads and bridges, scientific research and the expansion of broadband and wireless, are expected to fuel growth for many years. And the availability of \$274 billion in federal contracts, grants, and loans will also help to achieve the original goals.

All of the data on how funds are being spent are reported quarterly and the public has access to that information on recovery.gov

What should small businesses be aware of in terms of changing 401(k) disclosure regulations and how is Sage advising its customers?

As a result of the Section 408(b)2 Fee Disclosure regulations issued by the Department of Labor, many employers are going to find out for the first time how much they and their employees are paying for their retirement plans. This makes it the small business' responsibility to provide their employees with a breakdown of costs associated with their employees' retirement plan, including hidden fees and investment expenses. Ultimately this is good for the consumer and should make it easier for small business owners to make more informed decisions about retirement benefits.

Sage North America has partnered with PAi to provide a solution for those employers who find they are giving up too much of their retirement savings to their provider fees. To put it simply, we utilize Exchange Traded Funds (ETFs) that contain a bundle of stocks within each fund and when utilized together, delivers a fully diversified portfolio. What is the difference between this and a mutual fund? ETFs typically track an existing index instead of trying to outperform an index. This combination of greater transparency and extremely low expenses relative to most other investment options available in the market is a big benefit for the small business community as well as their employees.

We are fast-approaching year-end; what advice does Sage have to make close-out a less painful process?

The Sage Peachtree year-end center has plenty of help available: <http://www.peachtree.com/yearEnd/>. Also, small businesses should take the opportunity now to adopt good habits to make sure closing 2012 isn't an onerous process. If they're not doing these things already, it's time to start:

- Synch your accounting software with your accountant—and make sure you do this on an ongoing basis.
- Use electronic banking for easy record keeping.
- Record everything electronically—scan statements, utilize tools out there to easily track receipts and financial records.
- Back up your data. It's not fun to consider, but if something were to happen to your business, would you still have copies of your financial and business records? The IRS doesn't care if your system crashes or is destroyed, and you lose your information.
- File online. It's the law, and it makes it easier to reconcile come year's end.

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