

THE VET GAZETTE

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Outsourcing payroll duties can be a sound business practice... but...

Helping small businesses



Your Small Business Resource

Outsourcing Payroll Duties—Internal Revenue Service (IRS)

Outsourcing Payroll Duties Can Be a Sound Business Practice, But... Know Your Tax Responsibilities as an Employer.

Many employers outsource some of their payroll and related tax duties to third-party payroll service providers. They can help assure filing deadlines and deposit requirements are met and greatly streamline business operations. Some of the services they provide are:

- Administering payroll and employment taxes on behalf of the employer, where the employer provides the funds initially to the third-party.
- Reporting, collecting, and depositing employment taxes with state and federal authorities.

Employers who outsource some or all of their payroll responsibilities should consider the following:

- The employer is ultimately responsible for the deposit and payment of federal tax liabilities. Even though the third-party is making the deposits, the employer is the responsible party. If the third-party fails to make the federal tax payments, the IRS may assess penalties and interest on the employer's account. The employer is liable for all taxes, penalties and interest due. The employer may also be held personally liable for certain unpaid federal taxes.
- If there are any issues with an account, the IRS will send correspondence to the employer at the address of record. The IRS strongly suggests that the employers do not change their address of record to that of the payroll service provider as it may significantly limit the employer's ability to be informed of tax matters involving their business.

- For the employers' protection, employers should ask the payroll service provider if they have a fiduciary bond in place. This could protect the tax matters involving their business.
- Employers should ensure that their service providers are using EFTS (Electronic Federal Tax payment System) so the employer can confirm payments made on their behalf. Everyone should use EFTS and Treasury regulations require electronic payment for payroll taxes over \$200,000 in a calendar year. EFTS maintains a business's payment history for 16 months and can be viewed online after enrollment. In addition, EFTPS allows employers to make any additional tax payments that their third-party provider is not making on their behalf, such as estimated tax payments. The IRS recommends employers verify EFTS payments as part of their bank account reconciliation process.

EFTS is secure, accurate, easy to use and provides an information confirmation for each transaction. The service is offered free of charge from the U.S. Department of Treasury and enables employers to make and verify federal tax payments electronically 24 hours a day, 7 days through the internet, or by phone. For more information, employers can enroll online at EFTPS.gov, or call EFTS Customer Service at (800) 555-4477 for an enrollment form.

There have been recent prosecutions of individuals and companies who have, acting under the guise of a service provider, stolen funds intended for payment of employment taxes. For more information visit the examples employment tax investigations FY2008 web page.

Remember, employers are ultimately responsible for payment of income tax

withheld and both the employer and employee portions of social security and Medicare taxes.

Two New Products on IRS Website for Small Businesses and the Self-Employed

Two new IRS products make it easier for small businesses and the self-employed to locate the information they need on the IRS's official website, www.irs.gov.

These new products are part of a year-long campaign to help educate new self-employed small business owners about the federal tax responsibilities and about filling Schedule C, Profit or Loss from Business.

Publication 4667, Tax Information for Small Businesses and the Self-Employed, a free, laminated bookmark, provides Key Search Words to help these new business owners locate important tax information on the IRS website quickly and easily. They can order this free laminated bookmark on the Small Business Online Ordering page at <http://www.irs.gov/business/small/article/0,,id=101669,00.html>.

The Self-Employed Individual Center, is a one-stop, starting point for small businesses and self-employed taxpayers who file Schedule C with their Form 1040 and provides links to information on the most common issues new businesses face.

To get the latest information about other future Schedule C program events and learn about new products and services as they become available, start a free subscription to e-News for Small Businesses or just go to www.irs.gov type in your e-mail address and submit.

Subcontracting with Department of Transportation

To strengthen their proposals and bids firms can partner with other compa-

nies that have a government contract or are bidding as a prime contractor. Smaller companies often fill niches that round out the prime contractor's service. The government also gives incentives to firms that provide subcontract work to small businesses.

Subcontracting can present small business with opportunities that might otherwise be unattainable because of limited resources such as capital or experience. The Office of Small Disadvantaged Business Utilization (OSDBU) works closely with SBA and its Procurement Center Representatives (PCRs) to coordinate policy directives that help develop new initiatives on subcontracting issues:

- OSDBU and the SBA PCRs evaluate, review, and make recommendations on subcontracting plans; and
- OSDBU also helps large prime contractors in identifying potential small businesses to assist them in attaining their subcontracting goals.

More than 50 percent of DOT subcontracting opportunities are awarded to small business, and prime contractors report their achievements semi-annually using the electronic subcontracting reporting system eSRS.gov.

One way for small businesses to increase their revenue streams and begin developing the expertise needed to bid on and win federal government contracts is through subcontracting opportunities with prime contractors. Such opportunities provide small businesses with limited resources access to capital, staffing and the experience needed to develop the skills to effectively and efficiently bid on and win federal contracts.

Subcontracting allows small and disadvantaged businesses to substantially impact the federal procurement preference programs. Due to legislative mandates, federal prime contractors award billions of subcontracting dollars annually. Any federal contractor receiving a contract for more than the simplified acquisition threshold must agree in the contract that small businesses (including veteran-owned, service-disabled veteran

HUBZone, disadvantaged, and women-owned businesses) will have the maximum practicable opportunity to participate in the contract consistent with its efficient performance. Furthermore, large prime contractors receiving a federal contract exceeding \$500,000 (\$1 million in the case of construction), and that offer subcontracting opportunities, must, establish subcontracting plans with goals that provide opportunities to these small businesses.

Marketing Your Small Business

A key variable in the success of a business regardless of its size or its value is the ability to effectively promote the enterprise to target markets.

Following are strategies intended to assist small businesses in marketing to:

1. The government to obtain prime contracts;
2. Prime contractors for subcontracting opportunities; and
3. The commercial sector.

The first strategy entails networking. This approach requires:

- Developing a group of potential firms that you can call on to work together on DOT or any government contract opportunities. Meet and speak with other primes and subcontractors to learn from their experiences and evaluate teaming opportunities. Seek out prime contractors that may have your business expertise, or who have prior experience working with the DOT or the government agency that matches your business area(s).
- Initiate a membership with a Chamber of Commerce and trade associations, and attend procurement conferences and seminars to introduce your business to

representatives of companies that you could potentially partner with. Attend vendor forums and MatchMaking events as ways of getting to know federal, state, county and municipal contracting officers/specialists, as well as prime contractors.

- Get involved in the early stages of procurement and be prepared for projects that are within your area of expertise. Once a procurement possibility has been publicized as full and open competition, seek out any potential for subcontracting opportunities. If a subcontracting plan is required, try to determine who the potential bidders are and contact firms to ascertain their intention to bid. Try to have your small business included in the subcontracting plan when a proposal is submitted to an agency. To increase your chances of obtaining subcontracting opportunities, a subcontracting agreement can be established with more than one bidder from the same requirement.

The next important step in seeking subcontracting opportunities is to protect your small businesses. No matter what type of business agreement you enter into protecting critical business information is essential.

To protect proprietary information when entering a subcontracting arrangement, you may choose to establish a Memorandum of Understanding, Non-Disclosure Agreement, and/or signed contractual agreement with the prime contractor. Stress any federal or state certifications that you may have, and remember that large prime contractors receive credit for working with small businesses that have special certifications.

Be creative when two or more firms feel they can come together as a highly competitive team, work creatively to determine who will be the prime, who will be the sub, and how the effort will be divided.

Final Considerations

Before committing to a subcontracting

opportunity, carefully evaluate how it would benefit your small business. Assess your capabilities, and those of the prime, by considering the following:

- What do each of you bring to the table?
- What is your cost to enter the arena?
- Will partnering with this firm aid in our success and add to the development of a quality past performance record for you?
- How will payment for work by hand be handled? Here it is important to negotiate terms for payment so that there are no misunderstandings between you as the small sub and the prime contractor.

Also, know the qualities of a desirable subcontractor. Often, a prime contractor expects to partner with a small business that:

- Will suggest and execute effective solutions.
- Can clearly indicate how it can contribute to the project's overall success.

Researching the prime contractor before soliciting it for partnership will benefit the small business contractor. Read the company's profile and their mission statement to familiarize yourself with its corporate vision. A successful subcontracting opportunity is advantageous for both small business and the large prime.

Notify U.S.—National Institute of Standards and Technology

Notify U.S. is a free, web-based email subscription service that offers U.S. entities (citizens, industries, organizations) an opportunity to review and comment on proposed foreign technical regulations that can affect their businesses and their access to international markets.

This service and its associated website

is managed and operated by the National Center for Standards Certification within the National Institute of Standards (NIST). NIST is part of the U.S. Department of Commerce's (DOC) Technology Administration.

Purpose

The purpose of **Notify U.S.** is to collect and fulfill subscriber requests for information in World Trade Organization's (WTO) Agreements relating to Technical Barriers to Trade (TBT) Agreements to report to the WTO all proposed technical regulations that could affect trade with other member countries. The WTO Secretariat distributes this information in the form of "notifications" to all member countries.

Subscribers

By subscribing to **Notify U.S. Services**, U.S. entities receive, via email notifications of drafts or changes to domestic and foreign technical regulations for manufactured goods. Included in the subscribers email is a link to the **Notify U.S.** website where they can read more information and order complete texts of the regulations for review and comment. At this time, the **Notify U.S. Service** is only available to subscribers who are U.S. citizens and individuals that are part of U.S. based organizations and industries.

Registered subscribers can access **Notify U.S.** by entering an authorized email address and password in the Sign In form. Any individual who needs access and does not have or been assigned an account and a password, may select the Subscriber Link on the website to create an account for subscribing to this service. Subscribers that have forgotten their account and/or password or have had their account disabled, can use the Forgot Password Link on the website to Request that their account be re-enabled or their passwords reset.

Any unauthorized use of the **Notify U.S. Service** is prohibited.

For additional information of the **U.S. Notify Service** or the National Institute of Standards and Technology, visit www.nist.gov.

Business Contingency Planning

Planning is a continuous process for owners or managers of small, medium, or large businesses or multinational corporations. No matter what the size or the legal structure of your business, all business owners eventually, out of necessity or simply out of good business practices, develop business plans and engage in various types of planning initiatives. Such plans in many ways are roadmaps for the owners and/or managers to see where the business is at any given point in time, and where it is, or perhaps is not, going in the next two, three or five years.

While it is commonplace for business owners and managers to engage in strategic, operational, financial and management planning; with the uncertainty of the environment, particularly erratic weather patterns, ever-increasing military deployments, fires and man-made disasters; more business owners are including contingency planning as part of their overall business preparation strategy.

Medium and large businesses and multi-national corporations generally have the resources and expertise to have contingency plans in place, but this may not necessarily be true for small business owners, who have limited resources and staff lacking the necessary expertise.

Small business owners, typically, are so engaged in the daily business operations that they don't have the time nor the resources or expertise to develop and implement contingency plans.

Business contingency planning requires a thorough review of all business operations to include, but not limited to:

- day-to-day business operations;
- finances;
- management;
- marketing;
- vendors and suppliers;
- distribution channels;
- systems operations;
- communications (internal and external) ;
- Business scanning to identify the firm's internal and external weaknesses and strengths;
- Human Resources;
- automated systems;
- internal and particularly external storage capacity for both automated and hardcopy documents; and
- the facility, including equipment and safe storage of internal documentation, in addition to access to an adequate backup location.

The contingency plan outlines the integration of these systems, and how each will operate independently and in combination with the others as they are brought back online should a natural or man-made disaster occur.

Despite the appearance of complexity, emergency planning does not have to be a very complicated process. The key is determining what needs to be done immediately to, if possible, restore business operations that have been interrupted, as a result of a disaster. Identification of key personnel, with clearly defined roles and responsibilities, in this process will make it appear seamless and effortless. Clients or customers may never know that there was an interruption in operations.

When developing an emergency plan, business owners should convene a working group of managers or employees, if a small business, to discuss the parameters needed to establish and implement a successful contingency plan.

Some questions to consider are:

- What skills do each manager or employee bring to the firm to aid in development and implementation of a successful emergency plan?
- What role will designated staff, selected to work on development, implementation and execution of the plan, play in reestablishment of business operations when disaster strikes?
- In the event the business owner is unable to assume the lead role in execution of the plan, who will be his or her designated alternate?
- How will the designated alternate maintain contact with the owner and with critical staff during this time, e.g., cell phone, blackberry, transfer or calls through an emergency call center or subsidiary company?
- How soon after the disaster will business operations resume, and who will be key players in resumption of operations?
- Do key players have the home or cell phone numbers of staff, suppliers, creditors, and vendors?
- Who will be responsible for answering questions/concerns of customers, clients or employees about business resumption?
- Depending on the type of business or severity of the disaster, are there backup generators to keep the facility's electrical, heating and air conditioning units running until full-power is restored if the facility is usable?
- Have you identified critical functions and developed a plan to keep them functioning until the business resumes normal operations?
- Have external storage facilities been identified, and if so, have copies of critical and routine business information/data been transferred to these facilities?

- How recent have transfers taken place?
- Are backup systems for electronic information adequate?
- Has a temporary facility been identified where the business can operate until the current location is again operational?
- Does the business have adequate working capital or a business line of credit to keep the business operating until normal operations can resume?
- How will the firm's finances be affected by the disaster, i.e., accounts payable and receivable?
- Will these accounts be suspended until normal operations resume? If not have you entered into negotiations, as a precaution, with local/non-local vendors? Who within the business will be responsible for such negotiations?
- Does your insurance cover catastrophic disasters, such as earthquakes, hurricanes, fires? If not have you considered getting business interruption insurance to cover such disasters?
- Does your insurance include a financial payment to cover some costs as a result of loss?
- Do you know what measures should be taken to safeguard, to an extent, against disasters?
- Do you know what business resources are available to assist with disaster recovery?

Review insurance policies to see what is or is not covered as part of disaster planning efforts. Look historically at the business location to determine if it is disaster prone. Based on this assessment, determine what type of business interruption insurance is appropriate for the firm and use this assessment as a guide for choosing insurance coverage.

Next, consider what business operations are critical, and what measures

will need to be implemented to keep these critical operations functioning. This may entail having a second location where computer systems can be temporarily setup for staff to continue working until the current site is once again usable. Or, key personnel may have laptops to use from home or another location. It may also entail negotiating with vendors or suppliers an emergency line of credit to keep goods and services available to customers and clients.

Storing business data off-site assures that you have access to this information when needed...and this includes for resumption of business operations if a disaster occurs. When considering where to store business data, information and files remember the farther the distance the less likely that this location will be affected.

Keep human resource files updated. Have a current listing or database of employees' home addresses, telephone numbers, cell phone numbers, and email addresses. It is equally important to have current telephone and email addresses of vendors, creditors, supplies, customers/clients, utility companies, and first responders on hand. This information should be updated frequently by an employee and used to inform and assure customers/clients, creditors, vendors and suppliers of the measures you are taking to continue operations.

Business Contingency planning should be a part of normal business operations because you never know when or where a disaster will strike. For information on disaster assistance, visit <http://www.sba.gov/services/disasterassistance/index.html>.

DOL's Employment of Veterans with TBI and PTSD

The U.S. Department of Labor today announced a new online resources to help employers in their employment of veterans with traumatic brain injury (TBI) and post-traumatic stress disorder (PTSD), two increasingly common battlefield conditions. The new America's Heroes at Work

OTHER RESOURCES

<http://www.irs.gov/>
www.military.com
www.vetjobs.com
www.publicforuminstitute.org
www.commerce.gov
www.hirevetsfirst.gov
www.hirevestfirst.gov/smallbizown.asp
www.dol.gov
www.ssa.gov/emergency
www.ssa.gov
www.sba.tmonline
[ESGR Programs](http://www.esgr.gov)
[ESGR Tips for Military Members](http://www.esgr.gov)
[Veterans Business Outreach Center: Serving the Veterans of New York State](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – University of West Florida](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – Robert Morris University](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – The University of Texas-Pan American](http://www.veteransbusinessoutreachcenter.org)
[Veterans Business Outreach Center – California VBOC](http://www.veteransbusinessoutreachcenter.org)
[Office of Advocacy](http://www.veteransbusinessoutreachcenter.org)
<http://www.aptac-us.org/new/>
www.nchv.org
Kauffman eVenturing www.eVenturing.org

website (www.AmericasHeroesAtWork.gov) provides information about TBI and PTSD as well as tool and guidance on how to implement workplace accommodations and other services that benefit affected individuals. In addition, the website includes the toll-free phone number of the job accommodations for veterans with disabilities.

America's Heroes at Work is managed by the Department of Labor's Office of Disability Employment Policy and Veteran's Employment and Training Services, in collaboration with other federal agencies engaged in TBI and PTSD programs.

Veterans We Salute You