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Job Creation and Worker Assistance Tax Act of 2002

By Sandra LeDuc, CPA, CVA, LeDuc and Sikowitz

On March 9, 2002 The Job Creation and Worker Assistance Act of 2002 went into effect with the expectation that it would stimulate the economy and assist New York businesses. The law affects the years 2001 through 2004.

Retroactive 30% Bonus Depreciation

Economic stimulation has become synonymous with changes in depreciation. Among other changes a generous 30% bonus, first-year depreciation for new assets acquired after September 10, 2001 and before September 11 2004 has been added.

First-year depreciation caps for luxury autos purchased after September 10 and before 2003 have been raised $4,600 to $7,660.

The additional bonus depreciation is mandatory unless the taxpayer elects out. Previously filed returns should be reviewed for the need for amendments.

Net Operating Losses

Anticipating operating losses for American businesses in 2001 and 2002, lawmakers provided more opportunity for the recovery of taxes paid in prior years by allowing taxpayers to carry net operating losses back 5 years instead of the 2 provided under prior law. Net operating losses not used up in the carryback period can be carried forward for 20 years. Taxpayers still have the option of electing to carry all losses forward.

Alternative Minimum Tax

Under prior law, only 90% of a business's alternative minimum taxable income (AMTI) could be offset by alternative tax net operating losses (ATNOL). The 2002 Act allows AMTI to be reduced by 100% by ATNOL carryforwards from prior years into 2001 and 2002 or ATNOLs originating in 2001 and 2002 and carried back to prior years.

Individual Alt Min is reduced as well for years 2001 through 2003.

Cash Method of Accounting Extended

Businesses required because of their revenue volume to report under the accrual method may qualify to report certain fee revenue on the cash basis if the business has a history of non-collectibility. This is known as the non-accrual experience method and requires some detailed record keeping.

New York Liberty Zone

Enhancements to many deductions and credits have been created for businesses in lower Manhattan. Higher depreciation limits for rehabilitation and credits for job creation and retention in the Zone are provided.

Extensions and Clarifications

The law has extended various work credits. The rules regarding deemed-sales as of January 1, 2001 were clarified. SEP contribution limits were raised from 15% to 25%.

Also in this issue...

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Tips on Managing Bottlenecks

By Tom McBride
Partners for Creative Solutions, Inc.

If your organization has difficulty producing goods or services in time to satisfy the needs of your customers, bottlenecks may be a major culprit.

Most production of goods and services utilizes processes that consist of a series of operations. Naturally, the slowest operation will limit the output of the entire process. The impact on an organization depends on whether the slowest resource is a bottleneck or simply a constraint. Let's look further into these important terms.

A constraint is an operation that restricts the output of a process. It may be physical (equipment, person, lack of material or information) or managerial (policy or procedure). Every process has a constraint.

A bottleneck is a constraint that causes the output of a process to fall short of its goal. For example, a constraint may limit production to 5 widgets per day, but if sales average 7 per day you have a bottleneck.

Two of the operational guidelines offered by Eliyahu Goldratt, author of "The Goal" (1984), are key to understanding how to maximize total

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We All Have Opinions, But Is Yours Worthy Of Print?

By Heather C. Conover
Conover & Company Communications, Inc.

Opinion-editorials, or op-eds, are a useful tool for a company, institution, or non-profit that is an authority on a particular topic. Not only do op-eds have significant prestige attached to them, but authors are also assured that their opinions will be expressed in their own words.

He who hesitates …

Although generally easier to place than a news release, major newspapers receive 100 + op-ed submissions from CEOs, politicians, religious and academic leaders, and others on a daily basis. Thus, it's important to submit an op-ed the moment a news item breaks. Daily newspapers have the shortest deadlines, while weekly and monthly publications allow more time for submission.

Many companies will write several general op-eds in advance on topics in which they have specific expertise. They hold these until an issue or news item makes the op-ed a timely piece. The op-ed can then easily and quickly be adapted to reference the current situation.

Target

Send your op-ed piece to only one publication as you risk any future relationship with an editor should your piece be published in more than one publication – especially if they are rival publications. You can always rework the op-ed piece and send it to another publication later when another relevant news item appears. Look at a publication's readership to determine which local, regional, or national publications are the best targets for your op-ed piece. This entails not only identifying publications that will be most likely to utilize your op-ed piece, but also those that reach your organization's target audiences. Should your op-ed piece get published in a local paper and you want to be sure all your target audiences have seen it, you can have the op-ed reprinted and send it to customers with a personal letter, put it in your sales kits, and distribute it to employees.

Keep it short

Op-ed pieces should be short and concise, usually 400 - 800 words. Many publications print their requirements on their web sites. If not, call the op-ed editor to find out the length requirements. If you write a piece that is too long, the editor is apt to cut it, perhaps, leaving out portions that you feel were your most critical points. If you're not a strong writer, have someone who is craft the op-ed piece for you.

To fax or not to fax

Individual preferences should be followed to improve the chances of your op-ed being seen quickly and considered for publication. You don't want to lose out because you haven't bothered to find out that the editor prefers to receive the op-ed via fax rather than e-mail.

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Tips on Managing Bottlenecks

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system performance. First, time lost at a bottleneck is time lost for the entire system. Regardless of how well the rest of the system performs, a bottleneck will restrict the output of the "whole". Second, time saved at a non-bottleneck will not increase the system's output. Although improving a non-bottleneck may reduce cost, the benefit to the entire organization will probably be substantially lower than if efforts are directed at the bottleneck.

While we barely begin to address this vast subject in this article, the following tips should prove helpful in increasing output at bottlenecks.

- Improving work methods at the bottleneck usually results in improvements in both output and efficiency. For information on useful techniques, see my articles "A Powerful Process to Eliminating Waste – Parts I and II" at www.productivityreports.com.
- Improve *yield* at the bottleneck. Errors produced by a bottleneck further reduce its output.
- Ensure high quality work is received at the bottleneck. Errors created upstream negatively impact output at the bottleneck.
- Put a *safety buffer* in front of a bottleneck to avoid running out of work.
- Reduce changeover time. Time lost switching between projects reduces production time.
- Rigorously maintain bottleneck equipment. Breakdowns can be devastating.
- Add shifts, overtime or workers. Although this may seem expensive, the overall impact to the organization will probably be positive.
- Cross-train workers so that a bottleneck is never idle due to an absence.
- Staff bottlenecks with the best resources.
- Measure key performance variables at a bottleneck.

Using one or more of these techniques should increase production at the bottleneck, thereby improving output and economics for the organization as a whole.

HIPPA

By Rich Eichacker
Vibrance Technology Corporation

HIPPA, or the Health Insurance Portability and Accountability Act, was passed in 1996 under the Clinton administration. The law was designed to standardize healthcare-related administrative transactions; insure the security of computer systems, software and networks; and to insure the privacy of healthcare data. The law applies to organizations that use or produce healthcare data, such as hospitals, HMO/PPO providers, and physicans.

Two HIPPA deadlines are fast approaching for healthcare organizations. By October 2002, the electronic transaction and data formatting standards must be in place and by April 2003, the privacy portion of the law must be in place. A one-year extension can be filed on the electronic transaction implementation.

The electronic transaction standards were designed to increase the efficiency of data exchanges and reduce costs and errors. Before these standards were created, data storage and transmittal was left up to individual organizations, resulting in patient privacy concerns and increased costs because of incompadible data exchanges. The new regulations should streamline the billing process, resulting in reduced billing cycles and fewer mistakes. They will also eliminate the delays in getting updated data as well as reducing the amount of paper consumed by the healthcare industry. With the new standards, any healthcare organization should be able to communicate with any other healthcare organization without any compadibility issues.

The privacy portion of the law guides what type of information may be stored about a patient and also mandates that the transmittal of patient-related correspondence and data be secure. For example, e-mail is not a secure way to transmit confidential information. In the healthcare industry, this fact exposes a liability regarding patient privacy. LANs, WANs and other network interfaces must also be secure. HIPPA also restricts the types of patient data that can be exchanged. While this may protect patients' privacy, it may also impair analysis on disease trends.

Short-term, HIPPA is creating some headaches for healthcare organizations who are trying to meet the terms of the law and the compliance dates. However, in the long-term, these regulations will hopefully play a part in improving the US healthcare system.

For links to web sites related to HIPPA, please see the on-line version of this article at productivityreports.com

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Shaping Healthy Non-Profits: Part I

By John A. Haas, Ph.D.
Management Strategies Group

Whether in education, healthcare, the arts, community service or religious institutions, **non-profit organizations are different!**

- The "bottom line" value is realizing a social mission, not profits.
- Staff is passionate about the mission, often over financial considerations.
- Staff is often highly diverse in race, ethnicity, socioeconomic levels, values and perspectives.
- Volunteers that help regular staff and serve on various program committees must be recruited and managed. Still, they're volunteers.
- Many interested constituencies expect to be heard and involved in making decisions.
- The Board and CEO must engage in fundraising. The CEO must balance this with time for planning, managing and leading.
- Funding sources must be continually "stroked," to generate new and assure ongoing interest and, ultimately, funding.
- The Board includes successful businesspeople, challenged to assure sustainable pursuit of the mission by largely non business-oriented staff and volunteers.
- They deal with highly complex needs and issues with small staffs and budgets.

Organization Development Challenges

These realities can make non-profits inherently "inefficient." The CEO can't control the "organizational levers" that for-profit CEOs can, even in today's more inclusive organizational environments. Attempts to use such levers frequently backfire with dramatic consequences.

For example, The Board of a highly respected college for healthcare professionals that was experiencing operating deficits, named one of its members interim CEO to reestablish financial stability. An alumnus with considerable entrepreneurial experience, the new CEO did some further analysis, consulted faculty and administrators, saw many improvement opportunities and took quick actions, which he carefully explained to all major constituencies. Within a couple of years the college did return to financial viability.

The problem was he made organization, staffing and program change decisions from a "business" viewpoint, without *what was perceived* as adequate involvement of key constituencies impacted by these decisions. The result: public outcry within the college, threatened faculty and student actions, and covert efforts to undermine the interim CEO's leadership. Time-consuming "repair" efforts are currently underway, in a distrustful atmosphere.

More non-profits are being created to meet unfilled societal needs. They are all seeking sustainable and renewal funding and staffing resources. With resource demand outpacing available supply, non-profits will need to develop creative approaches to organizing and marketing their efforts. I will suggest some ways to meet these challenges in the Fall issue of **Productivity Reports.**

Be Diligent in Preparing for Due Diligence

By Susan C. Hammond

Guest Column

If the advisors for someone who wants to invest in or buy your company walked into your office today to start their due diligence, what would they find? Are you ready to provide all the information they need to determine that your business is worthy of their time and interest? And can you do so in an efficient manner that shows that yours is a well-run organization? In short, are you ready for a pain-free due diligence process or will it be a torture for both you and the folks on the other side of the table?

Could you, for example, provide a well-thought-out business plan to help the due diligence team understand your business and see its growth potential? Could you provide up-to-date and accurate financial data? Are your client and vendor contracts well documented? Are personnel files in good order? Do you have non-compete and non-solicitation agreements with key employees? Is your stock option program in good shape?

These are only a few of the financial and operational infrastructure elements that need to be in place well in advance of any effort to sell your business or attract investors. Of course, the best time to put this infrastructure in place is when a company is started, but that happens all too infrequently. Most entrepreneurs are too busy getting the first product out the door to focus on building a solid infrastructure. And as the years pass, many business owners continue to skimp on these areas to keep costs down. However, ignoring the elements of a good infrastructure ultimately lowers the value of a company and, in some cases, can jeopardize a potential sale or cause investors to say no.

In addition to the areas mentioned above, some of the other infrastructure elements that should be in place prior to a due diligence process include:

- A business insurance program that protects against all insurable risks.
- Patents, trademarks, and copyrights for all intellectual property.
- An excellent internal accounting team and a well-respected team of accounting and legal advisors with whom you have comfortable, trusting business relationships.

Paying attention to these and other infrastructure components will lead to a smooth due diligence process that ends with smiles on both sides of the table.

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