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Are you ready for the new Nevada commerce tax?

Like it or not, our state has a new tax on businesses of certain sizes. As noted in a recent article in Tax Insider, Nevada has a new business tax as part of the $1.5 Billion tax plan passed by the legislature, the "commerce tax." The tax applies to business entities doing business in Nevada, including partnerships, limited liability companies, limited partnerships, C and S Corporations, and individual taxpayers (sole proprietors – Schedule C filers and Schedule E and F filers as identified in the IRS code).

The tax is computed by taking the gross revenue minus certain exclusions and deductions and charged to businesses with revenue in excess of $4 million, and there is no deduction for cost of goods sold or other expenses. The tax is charged on an entity by entity basis; the tax has 26 business categories that determine the tax rate. The tax rates range from .051% to 3.31%. Business with revenue less than $4 million are required to file the return.

Keep in mind that the entity's tax year is not relevant. The tax year for commerce tax purposes is from July 1 to June 30. There is no automatic extension to file at this time. The initial reports are due on the 45th day following the year end, August 15th. Entities may file for a 30-day extension to file with a reasonable cause. With an initial return, there is a grace period permitted through February 15, 2017. For situations where there is reasonable cause, the Nevada Department of Taxation will not charge penalties or interest accrued. Subsequent tax year extension requests will accrue interest.

Each business will need to consider carefully their category based on NAICS code. The code may be changed with approval by the Nevada Department of Taxation.

Certain business entities are excluded from the tax including gaming and mining companies as well as five other categories. Businesses excluded from the tax are listed in the Nevada Senate Bill, S.B. 483.

Cheri Hill, of Sage International, has provided a guide for businesses to become more familiar with the tax. See her link below:

http://sageintl.com/business-owners/what-you-need-to-know-about-nevada-commerce-tax/

The Nevada Department of Taxation has information on FAQs too:

http://tax.nv.gov/uploadedFiles/taxnvgov/Content/FAQs/Commerce_Tax_FAQs.pdf

Our office welcomes your questions, and we are available for you regarding compliance with the new tax.

The higher customer's view of value, the higher their loyalty be.

Customers buy based on the value they experience not just the product you deliver them. You're really offering them a *value proposition* – the sum total of the product, its benefits, its price and the services you provide that go with it.

Your value proposition will vary from one customer segment to another. It's important to define the value proposition for each segment in your customer base before you begin your marketing.

What does your customer really want?

Remember that customers buy for their own reasons – usually to acquire a solution to a need. If you can segment your customers into groups that share the same reasons for buying, you will be able to communicate the right value proposition to each group and maximize your sales.

Very few products appeal to only one segment of the total market. Computers are a good example. They're used by businesses for commercial purposes and by young people for 'chatting', playing games and downloading music.

If you're selling PCs, your value proposition for business customers will be entirely different from the value proposition for teenagers, although the product is the same. To optimize your marketing you would target these segments separately with an appropriate value proposition for each segment.

Promote your value proposition

Develop a detailed profile for each segment in your customer base. Then you can create a value proposition that appeals to each because it represents a solution to their particular needs.

When defining a customer segment identify all the important details. Gender, age, lifestyle, frequency of product usage, preferred media and geographic location are just some of the factors you need to identify before you can begin your marketing work.

Going back to our previous example of PCs where we segmented business customers from teenagers, there are a number of ways to use this kind of detailed information. A PC package for businesses could include software designed for commercial purposes, would be advertised in the financial press, and could include in-office installation.

Teenagers on the other hand would be more likely to respond to bonus games software, ads in youth-oriented publications or websites, and high-quality sound and graphics.

Market to the most profitable segments

If you analyze a product and find it sells to five identifiable customer segments, does that mean you need to promote to all five segments? Not necessarily. It does mean you need to identify your most important segments and direct your marketing expenditures accordingly.

If your business is like most SMEs it will follow the 80/20 rule – 80% of your profits will come from 20% of your customers. Focus on that 20% and you've just done 80% of your marketing.

That doesn't mean that there will always be only one customer segment represented in your top 20%. What it does mean is that you should identify the most profitable segments and concentrate on them.

Note that you're looking for 80% of the *profits,* not 80% of the *sales income*. Chasing sales volumes without regard to profitability is a trap that can lead to price being the only differentiator between you and your competitors.

Remember, the ideal value proposition is a statement of customer benefits rather than product features - if you're selling hand lotion to women in the 40-60 years of age bracket and who spend a lot of time outdoors, your value proposition is *beautiful hands that don't show the effects of weather and aging*. If you also know the magazines she likes to read, then you know both how, and where, to reach her.

Dashboards identify key trends for management.

Business owners are constantly barraged with day-to-day issues that in some situations are crisis level. Valuable performance indicators that monitor daily and weekly financial and nonfinancial measurements allow owners to review even with their busiest days. Well-designed dashboards assist business owners in predicting sales, cash flow, and profit. Dash boards are reports of Key Indicators of the business. These reports also alert management to changes in customer buying behavior that show opportunities and challenges that affect the business' financial health.

There are three main elements of effective dashboards:

The elements of Dashboards include monitoring your industry averages and benchmarks. Secondly, they measure your historical averages, benchmarks, and compare them to your industry, and thirdly, they examine your company also known as a balanced scorecard of your company.

In the beginning, it's best to use a set of metrics in Excel. The most effective way to determine your most important key indicators is to test several that seem most important and adjust with time and experience. Once you learn the best measures to track, you can consider investing in Dashboard tools.

Marketing, sales, operations, and financial measures are the four main areas to track.

Marketing and lead generation are, of course, critical to the success of every business. The critical area is to measure the processes you are employing in the marketplace in generating leads and the success of generating business from your current processes. The cost of acquiring customers' needs to be tracked too.

Sales need to be tracked in terms of measuring conversion and the types of customers, nonrecurring vs. recurring customers, and total sales should be included in the dashboard. Total sales should be in dollars, units, and average prices.

Operations in the dashboard should include total number of paying customers and customer satisfaction and retention. In a manufacturing or construction business, there is a need to understand the efficiency of all inputs: materials, labor, subcontractors, and other direct costs with the greatest factor to be the measure of gross margin.

Financial measures include cash flow, profit, and financial health. The dashboard should indicate cash flow highs and lows and timing per month. This includes accounts receivable measurements, accounts payable, and use of lines of credit. The current ratio (cash, accounts receivable, and inventory divided by current liabilities such as accounts payable and payroll) is a critical dashboard indicator for the company's weekly and monthly financial health

Weekly dashboard reports enable companies to better manage their key business elements of marketing, sales, operations, and financials and enable management to make better decisions in a timely manner. The dashboards help even when reports are not showing good news, because they allow management to reduce anxiety and make faster decisions to modify the company's direction and improve performance.

Regular Pieces

How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

An Important Message

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RS Wait

Certified Public Accountants & Management Consultants

RS Wait
6566 S. McCarran Blvd.
Suite A
Reno, NV 89509

T (775) 825-7337
F (775) 825-7745
E scott@rswait.com
E rich@rswait.com

RS WAIT