Opportunity Is Knocking

Loren Lyon, Center Director

Opportunities For Growth

An important aspect of running any business is having the awareness of the “rules of the road” and while operating within them, using them to your businesses best benefit. Regulatory controls and taxation rules, certainly fit in this category. Recently, significant changes have been

The opportunity is there to invest in your business and improve your performance!

- Plant Layout
- Sales and Marketing
- Lean/Continuous Improvement transformation
- Human Performance systems
triggered that are expected to have a dramatic effect for American manufacturers. Many of us in business have complained about high taxes. This is the most significant reduction in corporate tax rate in modern times. A careful look at how these changes will affect your company is prudent. Every business has work that could be done to improve performance.

Let us know how we can help!

Enhancing Business Value – and Legacy!

By Arnie Hendricks

With the number of baby boomers that are approaching retirement age, a business owner in that age group has several extra responsibilities and opportunities to consider. The value of their business will be critical to their retirement and the process of getting a fair value for the business should start 5 to 10 years before the desired transition date. A significant amount of the business value will be dependent on the level of profitability and cash flow that the company generates.

Every business owner should be sure they:

- Prepare an annual budget and business plan. This allows for setting expectations for the management team and to assure that the appropriate action plans are being addressed to continually improve the company’s revenue and profitability.
- Have monthly operating and financial reviews with their team. Keeping score is important in business just as it is in sports. Knowing whether you are on track or where you missed the mark will help keep the company on the path to maximizing its profitability.
· Establish key ratios for your inventory, receivables and gross margins (for customers and product lines) along with the key balance sheet ratios so that you can track your trends – as well as your commitments to your bank.
· Build a team that removes the business owner as the key person on every decision. This will allow the owner to think more strategically on how to grow the business value.

To be increasing the business value for transition at some period of time in the future is important, however it is also critical to be considering how the business will continue if something suddenly happens to the owner. Every business owner should have a written plan for his/her team and spouse of the proper steps to take if they die or are disabled. All of the stakeholders – as well as the value of the business – severely suffer if this is not in place.

The concept of “keeping the end in mind” will serve a business owner well as they focus not only on their daily tasks, but also on the value they are building and the legacy they are leaving.

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**New Tax Law: Big Changes for Businesses**

Businesses see big changes under the new tax law. Top news is a new 21% flat corporate tax rate, with most other business forms getting new deductions that reduce their tax rates as well. Unlike changes to the individual tax brackets, which are temporary and somewhat piecemeal, the changes to the business tax are permanent and fairly comprehensive. Below are the primary changes we wanted to highlight:

· Expensing business property is expanded, with higher amounts, plus used property can be expensed too. Faster depreciation is also allowed for some forms of investment real estate.

· Other deductions were cut back: business lost the deduction for Income Attributable to Domestic Production Activities, the 50% deduction on entertainment expenses, and net operating losses (NOLs) can only offset 80% of the next year’s income with excess NOLs
carried forward (no more carry backs).

- The Alternative Minimum Tax (AMT) is repealed with special rules allowing unused AMT credits to be used in 2018, 2019 and 2020.

- Investors who receive dividends from US companies that use foreign subsidiaries to shelter income will pay ordinary income rates on those dividends, instead of capital gain rates. We would suggest meeting with a tax specialist if you or your company conducts business internationally.

**Tax Planning Ideas:**

- The current deduction allows “pass-through” businesses (those taxed as proprietorship’s, partnerships, and S Corporations) an approximate 20% tax liability, but special rules apply when computing the deduction; companies with small payrolls and large profits, and specific service companies, are least likely to benefit from the new deduction. Unlike most business tax changes, this one has an 8-year window; the deduction is currently set to expire for tax years beginning after Dec. 31, 2025.

- Many corporations will consider reversing their S elections to take advantage of the 21% flat tax and avoid the complexity of the pass-through deduction. Don’t forget to consider the PHC and AET tax rules, as well as the tax shareholders pay on regular corporation dividends. These are “old” tax rules that haven’t been paid much attention, but they are now key to this decision.

*No matter which variation or formula applies to you and your business, it is important to review these changes with your tax advisor in order to ensure you are fully prepared for the changes ahead.*

It’s that time of year again... tax time! Go here for more resources or to sign up a free webinar on the new web portal the Washington State
Department is launching this year.

The W Fund

The W Fund is an early-stage venture fund that aims to invest approximately $20 million over the next four years in promising start-ups spinning out of the University of Washington and other research institutions across the state. The Fund leverages Washington’s research strength to drive the state’s innovation economy by spurring the creation of jobs and tax revenue, and attracting investment capital into Washington.

Access to earliest-stage capital is a gate to compelling opportunities. The W Fund will help the most promising research and student-generated start-ups realize those opportunities, gain traction more quickly, and reach venture-fundable milestones. The spin out of many more companies across Washington State will demonstrate the commitment of the region’s business leaders and investment community to support innovation and technological growth in the Pacific Northwest.

This handy guide contains 27 different strategies that entrepreneurs can use to access business capital, from the highly traditional to those that are pretty out-of-the-box. Includes pros and cons for each strategy as well as case studies.

What Are the Best Websites for General Tax Resources?

The following are some of the best:

- Findlaw
- Legalbitstream
- Tax and Accounting Sites Directory
- Tax Topics
- Small Business Tax Guidance
- American Bar Association
What is SCORE?

SCORE is the nation’s largest network of volunteer, expert business mentors, with more than 10,000 volunteers in 300 chapters.

As a resource partner of the U.S. Small Business Administration (SBA), SCORE has helped more than 10 million entrepreneurs through mentoring, workshops and educational resources since 1964.

**Mentoring Works!**

Small business owners who receive three or more hours of mentoring report higher revenues and increased growth. Find your mentor here.

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**Featured Client Success Story**

**Company Profile**

Linear Technology Corporation is a Vancouver, Washington company that designs, manufactures and markets a

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**Improving Cash Flow and Profitability**

*By Arnie Hendricks*

Everyone in a company wins when cash flow and profits improve. Here are some ideas:

- Identify the number of weeks of inventory that are on hand for each item – great deals and some purchasing processes may cause an excess of inventory items to sneak up on you
- Be sure your collection process starts as soon as an invoice is past due – don’t wait for it to be 30 or 60 days past due before you address the issue
- Know your product costs and how they change so that you can assure you are making appropriate pricing decisions
- Measure productivity and efficiency of your personnel for identifying how you can do more revenue with the same or less personnel – the power of dilution of costs as revenue grows is significant to increasing your profits

*Arnie Hendricks has 30 years of senior management experience, with a special focus in the financial and operational management of small to midsize companies. For more information, visit [Arnie Hendricks](https://us13.admin.mailchimp.com/campaigns/show?id=1401669)
broad line of standard high-performance analog and mixed-signal integrated circuits (IC). They have 200 employees. Applications for the company’s products include cellular telephones, networking products, notebook and desktop computers, video/multimedia, industrial instrumentation, automotive electronics, factory automation, process control, and military and space systems. Principle product categories include amplifiers, battery management, data converters, high frequency, interface, voltage regulators and voltage references.

**Situation**

Linear had experienced an increase in production volume but faced an uncertain period as consolidation and shifts in IC production continued. As a result of this manufacturing ramp-up, the factory had capacity issues. These capacity issues, along with work-in-progress inventory (WIP) manufacturing practices, led to an unbalanced inventory flow within the factory—resulting in wafers accumulating in certain areas. This accumulation created unexpected demand for resources on the shop floor. Read the rest of the story [HERE](#).

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**Learn About Our Made in Washington Program**

Manufacturing is a vital arm of Washington’s economy, and it’s our mission to support and energize our...
Top Line Growth | Bottom Line Results

Seminar and Workshop - Spokane Valley, WA - May 22, 2018
4TH ANNUAL FABREO FOOD & BEVERAGE EXPO - June 13 & 14, 2018

What types of grants are available? Would my business qualify for a grant? Find out more HERE.

Submissions are welcomed! Please submit entries or report errors to our newsletter editor.

Schedule a Free Business Consultation Today!

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Our mailing address is:
3303 Monte Villa Parkway, Suite 340
Bothell, WA 98021

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