



How Will Government Regulations Affect Your Business This Year?

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It is becoming apparent that 2014 will hold a unique set of challenges and opportunities for Los Angeles and Southern California business owners and entrepreneurs. Let's start with the good news: A recent survey of small business owners indicated they are the most optimistic they have been in five years.

Several factors have contributed to this recent optimism, including increases in revenue, cash flow and hiring. Other reasons owners view 2014 as promising include Congress' federal budget deal, a rising stock market and an increase in capital spending. These factors give many area executives a little more confidence to expand and hope that the momentum continues.

Challenges Are Also Looming

Of course, there are also challenges. At the top of the list are finding new sources of business and the ongoing uncertainty about the economy, healthcare reform and government regulations. Managing regulatory issues, in particular, affects operations and takes away from other important aspects of running a business. Large organizations have departments that maintain vigilance over this area, while many small and mid-sized business owners seek outsourced professionals to address this area for them.

Owners must be mindful of the effects of government regulations on their operations and finances. For example, state regulations involving sales tax and interstate requirements where there is no physical presence are issues that are expected to affect small and mid-sized businesses this year. So too are a number of federal regulations, including the following:

The Affordable Care Act — It has become hard to keep up with the latest provisions of the ACA with all of the changes that have been made to the legislation recently. The biggest change affecting employers is the delay of the Employer Mandate until 2015. Later this year, however, you will need to determine if your business will be subject to the Employer Mandate next year and required to offer health insurance to your employees. You will also need to ensure that a system is in place by the end of this year to track employee hours.

Also, if your business offers Flexible Spending Accounts (FSAs) to your employees, you must now offer them group health insurance coverage as well. And the small business tax credit for employers offering health insurance is changing this year.

Immigration and E-verify — While nothing is imminent right now with regard to immigration reform, there is proposed legislation that would require E-verify for all employers. There is also the potential release this year of a new version of the Employment Eligibility Verification Form I-9 that will help employers maintain compliance with immigration laws.

Defense of Marriage Act (DOMA) — DOMA will affect federal employment laws like the Family Medical Leave Act (FMLA), as well as payroll taxes and health insurance. For example, employees can now pay

for same-sex spousal benefits like health insurance on a pre-tax basis. And employers could be entitled to a refund of federal unemployment tax on wages paid to same-sex spouses who are legally married.

Employment regulations — There are a number of potential future developments in this area, including a possible increase in the federal minimum wage, which has become a real political hot button. Other employment areas to keep an eye on are employees' rights to organize, strong enforcement of the Fair Labor Standards Act's overtime and minimum wage provisions, and a continued focus on misclassifying employees as independent contractors.

Banking relationships — As they struggle to cope with increasing regulatory burdens, some banks have started making changes to certain aspects of their small business customer relationships. These include making some changes to the requirements small businesses must meet, as well as how available they will make credit and other banking services to these businesses.

IRS enforcement — The IRS has announced that it intends to examine tip and service charge taxation more closely this year — if you own a restaurant or hospitality business, you should keep a close eye on this. Also, the Supreme Court has heard arguments regarding whether or not severance pay should be exempt from FICA or taxable.

Qualified retirement plans — Changes could be on the way that would force businesses that offer qualified retirement plans like 401(k)s to their employees to amend statements to provide lifetime income illustrations.

Concluding Thoughts

While business owners have indicated in surveys that they are the most optimistic they have been in years, there are still many challenges when it comes to successfully running an enterprise. Government regulations, in particular, continue to be a significant burden on Los Angeles and Southern California business owners and entrepreneurs. One solution is to hire an outsourced CFO services provider to quarterback a team to help navigate the regulatory issues that impact your business. Much is still to be determined with regulations as new provisions continue to be enacted. Being prepared by having your systems in place, preparing realistic and accurate projections, tracking employee hours, classifying employees accurately, and having audit procedures that ensure compliance and proper reporting is critical.

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