

Candy Messer of Affordable Bookkeeping and Payroll Services_Biz Help For You radio show

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the donate button on the Investor Connect org website.

Speaker2: [00:00:44] Hello, this is Hall Martin with Investor Connect. Today we're here with Candy Messer, president at Affordable Bookkeeping and Payroll Services and host of the Biz Help for You radio show. Kandi is a profitability and growth advisor working with entrepreneurs and service based industries to help them have successful businesses with experience in the bookkeeping industry since 1998, Kandi understands the stresses business owners face and offers customized services to meet their varying needs. Candy, thank you for having me on your show, and thank you for joining us today.

Speaker3: [00:01:15] I was glad to have you as a guest and thank you for the invitation as well.

Speaker2: [00:01:18] Great. So where does this podcast find you today?

Speaker3: [00:01:22] Well, my office is located in California, but I'm actually sitting in Tennessee. I relocated and I'm close to my grandchildren now, so I'm really excited about that.

Speaker2: [00:01:33] Oh, that's great. Are you one of the people leaving California in droves, or is this just more of a family issue?

Speaker3: [00:01:42] It's really family related because all my family had dispersed over time and I was the last one in California. And now I have two grandchildren, ages one and almost three. I really wanted to be close to them, if possible. And so that's pretty much what brought me here.

Speaker2: [00:01:59] Great. Well, we're coming out of the pandemic and coming into a new version of the startup world. And I talk with startups every day, helping them raise funding and so forth. And it found that compliance and regulatory is really not top of mind. I'm sure you see this a lot in your work. What do you think are the top three things startups miss when it comes to compliance work that you deal with?

Speaker3: [00:02:23] Sure. I would say I think the first thing is there's sometimes confusion about what a business license is, what a fictitious business name is. And so I had someone once who I asked if they had a business license and they said, Well, I have my DBA, I'm fine. And I said, Those are two totally different things. A business license allows you to operate in your city. A DBA is usually in your county and allows you to operate under a name that's not your own. So if you're like, I'm affordable bookkeeping. When I first started, I was a sole proprietorship, but I didn't exist as an entity. If you had given the IRS affordable bookkeeping and my tax ID, which originally was my Social Security number, it wouldn't match. So you have to operate with a doing business as and register that. So that's one thing that I see is a problem and people just don't realize what that is. Another thing is nowadays so many people are operating from home. You may need a home operating permit as well, and a business license may not be enough. So you really have to find out with the city that you're operating in.

Do you have to have that additional permit? And many do require that. And another thing that people don't realize, it may not be related to compliance specifically, but if you are operating from your home, you generally have to have a separate insurance policy covering the business, because if someone trips and falls at your home or something happens, your regular insurance does not cover that. So making sure that they're protected in case something like that happens is one of the major things. And finally, one tip that I like to give because this could be an issue is don't mix your business and personal funds. So a lot of times when people are starting, they're just using their personal bank account and they're like, I'll just pay the business expenses. But if you're audited to the IRS might disallow some of those because it doesn't necessarily look like it's a business expense. So ideally, you open a business bank account, a business credit card account. It will also help you build credit in your business name and it makes your bookkeeping much easier so your tax preparer can actually do your returns much more simply as well.

Speaker2: [00:04:38] Let's go back to the business license. What's an example? What city might ask for a business license? I'm not that familiar with it.

Speaker3: [00:04:46] Mm hmm. So every city has different things that they look for. So sometimes they're going to ask you to register based on the amount of sales that you have, and that's how they charge you. Some might be on the number of employees and some you may just need to say, I'm operating a business and there might not even be a fee. So, for instance, in the city of Los Angeles, if you're considered a small business and you file on time, which is generally February 28th, that would actually be today. As for recording this and if you file on time, you don't you don't have to pay that fee. Now, if you wait till March 1st, then you are late and then you owe that full amount. But what it does is allows you to operate your business in their city. So if you want to operate for a profit, you're supposed to register as a business. So that's where it's really important to have that, because if you are operating without a license, then they can come and penalize you for not having registered in their city.

Speaker2: [00:05:50] Let's see. And going forward, do you see more regulatory coming into it, post-pandemic or less regulatory? What direction do you think is going?

Speaker3: [00:05:59] You know, it really depends on every city, state and the federal government, of course, is dependent on tax revenue coming in to help them pay for the things that they have to pay for. So we know that the governments have been putting out a lot of money for different things, whether on the federal side, it was like the employee retention tax credit or there were other things that have been put out there through the SBA, like the Restaurant Revitalization Fund. And so having given this money, even on the personal side, these credits that they've given to the families, that money has to come back to the government somehow. And so through other taxes, whether that's raising the tax rates or implementing additional taxes, and states have also done that through helping through unemployment claims. Cities may have had some of those things, too. So I think it really is going to depend on how dire is the situation. Do they need to collect more money? And if so, what are they going to implement to be able to collect that from you?

Speaker2: [00:06:58] I know there for a while there was a big discussion about classification of employees. Are they contractors or their employees? And it seems like I think most businesses have now understood the difference and they just can't treat everybody as a contractor. But as the world moves into a gig economy mode, it seems like it's going to be more and more people

want to be classified as a 1099 rather than an employee. Where do you think the regulatory is going to come down on that?

Speaker3: [00:07:26] So this is an interesting topic as well because the federal government has had regulations for a very long time that says what determines if someone is an independent contractor or an employee? And there's three areas that they look at, which is basically a behavioral control, financial control and relationship of the parties. So behavioral control is who is the one who determines how the work is done. Is there training involved? Do you go back and review performance? Do they clock in or clock out? Do they invoice you? All these different things that determine who has control. So if the employer has the right to control any of those aspects, it is supposed to be an employee relationship. So again, if someone is operating as a business already, if they have their business license, as we talked about, if they're advertising for other business so you aren't the only client, then more likely it would be an independent contract relationship. But if it's someone who's just performing a service for you and they're not actively trying to build a business, it looks more like an employee relationship. And when it comes to the relationship of the parties, the IRS will say, Well, you can have a contract that says this is an independent relationship, but that doesn't mean that they have to follow that, because if you don't follow the rules, that contract is null and void.

Speaker3: [00:08:52] So that's one of the things that was happening. Now states are becoming more strict. So for instance, again, as I mentioned, my business is located in California. A lot of the customers that we have helped are still located there as well. And AB five is a rule that was passed that made it even more strict for businesses. So it's also if they are performing the duties of your income generating business. So if in my industry, if I'm hiring someone to help with the bookkeeping, then technically I should be hiring them as an employee. If I'm hiring a website designer that's not related to my business, I can hire them as an independent contractor. So there's more detail than just that kind of brief overview. But basically to say you really need to look at the regulations and which is more strict, is the federal government more strict or the state, whichever is more stringent, is the rules you have to follow. And more and more states are going to an employee relationship as well.

Speaker2: [00:09:53] Great. And so you talked to it earlier about there's this new employee retention tax credit that came out of the pandemic. Can you tell us more about that? I'm not that familiar with it, sure.

Speaker3: [00:10:06] So basically what happened is this grant? Well, technically, it's a credit was passed and there were two different ways originally that you could qualify for this credit. And and the rules have changed over time to depending on the period. So in 2020, you had to have a 50% or greater reduction of your income in one quarter in 2020 compared to the same quarter in 2019. So second quarter, 2020, if your income dropped 50% or more compared to 2019, you could qualify for the credit. Same thing you'd look at each quarter, third quarter, fourth quarter, there was a maximum credit of \$5,000. So per employee you could use up to \$10,000 of wages that you paid them. And 50% credit was a \$5,000 total credit for the year. In 2021, the rules changed. It became \$10,000 per employee per quarter, and it was a 70% reduction I'm sorry, 70% credit and only a 20% reduction in sales. So again, you could compare first quarter of 2021 to first quarter of 2019. If it was at least 20% reduction, you could then claim the credit. The other way to claim the credit for either 2020 or 2021 was if you were under a partial or a full mandatory government shutdown, not just that you wanted to shut down because you wanted to keep your employees safe.

Speaker3: [00:11:34] But if you were in an industry that the government basically said, you are not an essential business and you have to close your indoor dining, maybe you still had the drive thru, but people couldn't come indoors or your dentist's office that you had to completely shut your doors for eight weeks while the pandemic was kind of raging. If that happened, you can qualify during the period that you had that mandatory shutdown. There's a third way now that was passed. So it's called the recovery startup business. So if a business started in well February later than February 15th, 2020, they're considered a recovery startup business. So they actually don't need either one of those guidelines to qualify. You just have to say, I'm a recovery startup business and you can claim it for third quarter 2021 and fourth quarter 2020. One. So it's again, a lot of information. It's a little bit confusing. And I do have a YouTube video that I did create for people. So if they're a little bit confused and they want more information, they definitely can check out my channel and the YouTube artsy information there.

Speaker2: [00:12:43] Well, during the pandemic, there were quite a few programs for start ups, PPE, loans and the like. And what percentage of your clients were actually taking advantage of it?

Speaker3: [00:12:55] Almost all my clients that had payroll were looking at the PCP loan. Again, you claim that based on the wages that you had paid over the period of time that they allowed, and then that's where this kind of deal thing happened with the ear to see in the PGP as well. So originally if you took out a Paycheck Protection Program loan, that's the PGP, you could not claim the employer retention tax credit. That rule changed and now you just cannot use the same wages. So anything you use towards the PGP, you cannot use to claim the employer retention tax credit. But again, as long as there are wages that remain that you could claim, you can claim in each quarter up to the maximum again. And that's where looking at the numbers because paycheck protection program forgiveness, most people were looking at a 24 week covered period. Many of them can qualify in quarters for the employer retention tax credit as well.

Speaker2: [00:13:54] Well, they were meant to be forgiven. Were they actually forgiven or is the jury's still out on that?

Speaker3: [00:13:58] Yes, they actually have. I've had a lot of clients that actually took two draws, the first draw. Pretty much all of those have been requested for forgiveness and have been received because you had to file within a certain period of time to have asked for forgiveness. And now a lot of those second drawer were already going through the forgiveness process as well. But basically, I'd have almost 100% of my clients who had applied for forgiveness got full forgiveness. There were a few that didn't use all of the money that they received for the payroll or the non payroll allowable expenses, just because again, they were completely shut down or whatever the situation was. So that small amount that was not forgiven now has to be repaid as a loan. But then the interest is very small.

Speaker2: [00:14:47] Well, based on that experience and that was a new experience for all of us. But you in particular, on the accounting side, what's the most important lesson you learned about this?

Speaker3: [00:14:57] Well, I would say it wasn't necessarily the most important lesson that I had learned, because I've always been telling clients, you need to have money save for a rainy day, just like someone who lives paycheck to paycheck. Personally, if something happens in your car breaks down, you're in a bit of a bind and then you're putting yourself into more debt if you haven't had something saved. Same thing for a business. You should be putting money away for these unforeseen circumstances that may happen. And I think now people realize the importance of saving and putting something away. And so I hope that people have learned that themselves from this. I've always been on a little bit more conservative side myself, too, to make sure that I have enough, because I've got employees. They're dependent on me. I want to make sure that I can always meet payroll. I'm not worried about covering payroll taxes or any of that, but I think that's one thing that definitely has come from this, is business owners are realizing they have to have that money put away.

Speaker2: [00:15:54] Great. Well, you work with bookkeeping and payroll services and many other things. What's a common myth about your job?

Speaker3: [00:16:02] Oh one common myth is that the computer does everything. You know, really everything just imports and you just push a button and there it is. And that is not the case. I mean, the software does connect with banks in a lot of situations, but all that does is it imports transactions and then they're basically sitting in the software for review. You definitely need to make sure that they post to the correct accounts because a lot of times the software makes an assumption on what it is and it does its best and over time it may learn more and more kind of what you're doing. But every time I have a particular client that I help them with their sales tax, they do all of their postings. And when it comes to those imported transactions, it always puts the income to a wrong account. So we always have to go in and reclassify that because she doesn't realize, don't just hit accept. You have to really look through and view that too. So the software definitely helps. It makes things a little bit more efficient, but it doesn't do it.

Speaker2: [00:17:02] All right. So what online information source do you find most helpful in your work?

Speaker3: [00:17:08] Well, because there are so many changes and information that we need to know to share with clients. I am on a newsletter list for the IRS. I get their emails multiple times a week actually, and I see anything that's happening. Changes to the law that happens. I mean, even this week I had something else that I had to say, Oh, I just did a video for educating people on something and it's changed a little bit. So that's definitely important. And I'm also on other industry specific newsletter lists too, to help talk about some of these things and how to implement them. And that helps me share information with the clients so they know what they need to do as well.

Speaker2: [00:17:49] Great. We see a lot of businesses and a lot of new ones came out of the pandemic. If you could start a business tomorrow, what would that business be?

Speaker3: [00:17:57] You know, I really am not sure I love what I do and helping the clients. If I were going to do a different business, I might help my husband who had thought before about he loves to create things in his mind. He comes up with better ideas of things to of how to make things better. And so if I were to do another business, I probably would help him. He could do all of the imagining and creating, and then I would still help him with the behind the scenes because he wouldn't be as good at these kind of things. But that would probably be it.

Speaker2: [00:18:29] Great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:18:34] Sure. Well, I think mainly I just want those who are starting businesses to understand, too, that sometimes it's really hard to know what you should be doing. And if you don't have a support with other people that you know who started businesses like Find a mentor, whether it's someone you see in your own industry or maybe someone else or joining a little group that can help you. I mean, I'm even starting one to help business owners because my daughter and her husband actually started a business last year and she kept reaching out to me with questions. And she finally said, like, Mom, there's so much that we don't know, that we don't know how to even find the information. So whether it's with someone like me that we're educating people or their mentors out there that you could find that could help you understand how to price your products again, the compliance things, what you need to do, should you be on payroll, can you be on payroll? Because in certain entity types you cannot be on payroll. In

some entities you're supposed to be on payroll. And a lot of people don't understand what to do. And then understanding that if you are not having your taxes paid through a W-2, your normal payroll, you need to make estimated tax payments. So talk to your tax preparer and have them help you make those because they're due four times a year. And if you don't pay your estimated tax payments, you could end up with some penalties and interest as well. And generally, those are due in April, June, September and January.

Speaker2: [00:20:06] Great. So how best for listeners to get back in touch with you?

Speaker3: [00:20:11] Sure our website is www.abandp.com short for affordable bookkeeping and payroll. And then if there's any other information they need, we can route them to the right spot.

Speaker2: [00:20:25] Great. We'll include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker3: [00:20:31] Thanks and thank you for inviting me. I enjoyed the time with you.

Speaker1: [00:20:36] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at InvestorConnect.org team. Martin is the director of Investor Connect, which is a 503 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.