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Dear clients and friends:

This coronavirus outbreak is testing businesses in a way that we haven't been tested since at least the 2008-2009 financial crisis, with a closer corollary probably being 9/11. We've been working on our contingency plans as we are sure that you have. We have some thoughts that you might find helpful:

Try to reimagine your processes to stay open or make the best of having to close

See what changes you can make to your processes to allow you to continue to operate during this time. Encourage employees to work from home where possible. Use this time to implement some changes that you have had in mind. Every small business has things that they will do "when they get time". This can be when you tackle those challenges.

Take inventory of where you are

Analyze your available funds and available credit lines to determine the size of your "war chest". Take a look at your most recent profit and loss statements to determine how long you can operate if your business has to close. From there you can decide if, and how long, you will pay employees if there is no work to do and limited revenue coming in with which to pay them. One decision that we have made is that we will be tapping available credit lines before we spend down our cash. We don't know how long this will last nor how bad it will be. There is always some risk that banks could face some liquidity issues if everyone tries to draw all their available credit at the same time. We don't want to create unnecessary worry, but the interest rate that we would pay is a small price to pay to ensure we have as much flexibility as possible.

Defer paying income taxes

The Treasury Secretary announced a delay for paying 2019 taxes until July 15, 2020. We wouldn't make income tax payments until then. Also, the cost for not paying estimated taxes for 2020 is equivalent to paying a bank 5% interest. We see delaying your estimated tax payments as essentially a line of credit that you didn't have to qualify for. The interest that you would pay the IRS isn't tax deductible as bank interest would be, but we still see this as a low cost and low consequence source of funding. We would absolutely take advantage of this.

Continue paying sales tax and payroll withholding taxes

It might be tempting to not remit collected sales taxes and payroll taxes. Remit the taxes. The money you collected from your customers and employees for taxes isn't your money to spend as you need to. There really isn't anything that you can do that will cause the IRS or the Georgia Department of Revenue to come after you harder than failure to remit sales and payroll taxes. This is the kind of thing that gets the gun-toting revenue agents coming to your business with padlocks to shut you down. Don't divert the money. Also, keep in mind that even if your business is an LLC or a corporation that normally provides liability protection for your personal assets that the government can and does collect against personal assets if you fail to remit sales and payroll taxes. The government can impose these penalties against anyone that has the authority to control what bills are paid. They don't have to just go after the business owner.

Communicate with employees

Make sure that your employees know where things stand. Most of them are probably concerned about their paychecks. Reassure them if you can, or at least give them your best available information about what they can expect. That will allow them to then make the best decisions for their families.

New Georgia Department of Labor rules

The Georgia Department of Labor has implemented new rules for employers in response to this outbreak. They are requiring that employers start "partial claims" when they temporarily reduce work hours or there is no work available for a short period. See the Department of Labor's announcement at <https://dol.georgia.gov/blog/new-information-filing-unemployment-partial-claims-and-reemployment-services>. They have implemented a fairly draconian rule stating that if the employer doesn't comply with this rule that the Department will hold the employer liable for all unemployment benefits paid to the employee. Needless to say, failure to comply could get very expensive.

Manage accounts payable

Many small businesses don't manage their accounts payable as well as they could. Now is a great time to implement a true accounts payable system where you get a listing of amounts you owe your vendors complete with due dates. Take advantage of your payment terms by paying invoices only as they come due. Talk with your vendors about getting extended payment terms if possible. As a last resort, you might have to start prioritizing the vendor you pay in order of which vendor would cause the biggest interruption to your business.

Communicate with lenders and your landlord

Make sure that you are keeping your lenders and landlord in the loop about where you stand with making upcoming debt and rent payments. Keep them informed of your plans on how you are dealing with this. Be aware of any debt covenants that you might have and work with your lender to cure any violations. Your lenders and landlord probably want to work with you to avoid any defaults and you keeping them informed will be the best way for them to work with you.

Track your additional costs related to this

We don't know if there will be any kind of assistance after the fact to reimburse incurred costs. But we think it would be a good idea to add information in your accounting that will allow you to track costs you incurred because of the outbreak. As an example, these costs would include any wages you choose to pay to your staff if you keep them on payroll beyond what your normal business requires. Even if you can't use this information for any kind of reimbursement, it will still be important for you in analyzing the results of your business. This is particularly true for any analysis of business growth over time.

We're all working through this as best we can. We are always here to help you try to work through your plans. As we get more information, we will update you on any other generally applicable thoughts that we have. Give us a call if we can help you.

Very truly yours,

Treadwell, Tamplin & Co.