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That's AMT, Not ATM

WHILE MOST TAXPAYERS DO NOT HAVE TO BE CONCERNED ABOUT THE ALTERNATIVE MINIMUM TAX (AMT), THOSE WITH HIGH INCOMES NEED TO CONSIDER THE IMPACT OF THIS TAX IN THEIR TAX PLANNING STRATEGIES.

If you take advantage of tax shelters and other tax preference items to reduce your tax liability (including the capital gains exemption for shares of qualifying small businesses), you may need to review your tax planning with your chartered accountant. Changes to the AMT may have a material effect on your tax liability.

What is the AMT?

For many years, voters complained that the tax laws were inequitable as a wealthy individual with a six-figure income could take advantage of the various provisions

of the Income Tax Act and pay only minimal taxes. In response to these complaints, the alternative minimum tax was introduced in 1986 to ensure that these Canadian taxpayers pay a base minimum of tax regardless of their income and/or deductions.

The concept is that individuals who have certain types of income, deductions or credits must calculate an adjusted taxable income by adding back all of the tax preference items (e.g., losses on tax shelters and the non-taxable portion of capital gains) that have been used in the calculation of regular taxable income. After deducting a basic exemption of \$40,000 from this income, a flat 16% tax rate (17% prior to 2001) is applied to the remaining net adjusted taxable income. The resulting tax payable is then reduced by some, but not all, of the individual's regular tax credits to arrive at the AMT.

The taxpayer pays the greater of the regular taxes payable and the AMT. Thus, regardless of the preference deductions that may be available, the taxpayer will likely never be able to have a "nil" tax liability.

However, there is good news when AMT applies. You can carry forward the amount of the additional taxes due and use it as a credit in future years should your regular tax exceed AMT in that year. In some respects, it appears that the government is simply trying to average the taxpayer's tax expense.

The AMT and Capital Gains

Prior to 2000, 100% of a capital gain was included in adjusted taxable income for AMT purposes, even though only 75% of the gain was included in regular taxable income. This resulted in a tax preference of 25%. With the reduction of the inclusion rate for capital gains from 75% to 50%, the possibility of AMT applying increased. However, a small but significant change may reduce the impact for those whose income is subject to AMT. Effective in 2000, only 80% of capital gains will be included in adjusted taxable income. Therefore, the amount considered a tax preference for purposes of applying the AMT will now be 30% versus the previous 25%. Most taxpayers reporting capital gains will not be affected by this change; however, owners of small business shares or farm property that will be claiming the \$500,000 capital gains exemption may be caught.

The same amount of capital gains exemption that is deductible for regular tax purposes is deductible for AMT purposes. Therefore, if the capital gains exemption is claimed, a net 30% of the gain will now be added back to adjusted taxable income even though no amount of the gain (after the capital gains exemption) is included in regular taxable income.

The chart below illustrates the potential impact on the tax liability of an individual whose only income is a capital gain on the sale of small business shares and who is subject to AMT:

	PRIOR TO 2000	2001
CAPITAL GAIN, SHARES OF SMALL COMPANY	\$440,000	\$440,000
Taxable Capital Gain	330,000	220,000
Capital Gains Exemption	330,000	220,000
NORMAL TAXABLE INCOME	Nil	Nil
Untaxed Capital Gain {25% }	110,000	
Proposed 30% of Capital Gain		132,000
AMT Exemption	40,000	40,000
ADJUSTED TAXABLE INCOME	\$ 70,000	\$ 92,000
TAX AT OLD RATE —17%	\$ 11,900	
TAX AT 2001 RATE—16%		\$ 14,720

Note that these calculations do not take into account the applicable provincial taxes. Also, if the taxpayer had other income subject to ordinary tax in excess of the 16%

If you will be purchasing a tax shelter or claiming the capital gains exemption on the sale of qualifying small business shares or qualifying farm property, contact your chartered accountant to ensure you plan properly to minimize the impact of the AMT.

PERSONAL FINANCE

With a Will, There's a Way

A SIGNIFICANT EVENT OR CHANGE IN YOUR FAMILY, OR IN YOUR BUSINESS OR ASSET OWNERSHIP ALSO MARKS A TIME WHEN YOU NEED TO REVISIT YOUR WILL.

Do you have a will? When was the last time that you

reviewed and amended it to reflect the changing circumstances in your life? While most everyone knows that having a will is an important part of their financial planning, a surprisingly high percentage of people die each year without a will or their existing will is found to be invalid.

When properly prepared, a will provides for the distribution of property to your beneficiaries, the administration of the estate and appointment of a representative (the executor) to carry out these responsibilities. A will ensures that your estate passes to the people whom you want to have these assets. If you don't leave a will, this may not happen and your estate could end up being complicated and expensive for your family to handle.

Providing for Your Children

If you have children, does your will consider what would happen if both parents should die in a common accident or one parent dies shortly after the other? Often the will includes a survivorship or common disaster clause in contemplation of this event as well as sets out the names of the guardians for the children. While most potential guardians accept the responsibility when the parents request that they be named, they may think that the chances of their actually having to assume this role are unlikely. In choosing the guardians, consider:

- Have your appointed guardians carefully considered their responsibilities should they have to assume this role?
- Are they young enough to raise your children?
- Have you named alternative guardians should they be unable to assume the responsibility at the time of your death?

The will should also set out your wishes for your children's upbringing and how their financial needs are to be met. In determining the funds that will be needed for the guardians to raise your children:

- What financial means will be left to raise the children?
- How are the estate assets to be distributed and managed, including the home, furnishings, and other assets such as cars, investments, real estate holdings, and life insurance proceeds?
- Will all the assets be liquidated and funds distributed or are certain assets, such as the family home or cottage, to be gifted to children who are near the age of majority?

- What will happen to liquid funds; that is, is the money to be placed in a trust or be given to the guardians?
- Who will be the trustee for the children? Who will be the executor of the will?

The Trustee

Often a will sets out that a testamentary trust is to be created and a trustee appointed to manage the estate to the benefit of the children as beneficiaries. As the trustees will hold the assets, they must have the appropriate powers to deal with those assets according to your wishes. The trustees' powers are specified in provincial legislation; however, the will may broaden or narrow the powers given to the trustees by law. These provisions may be very important if your children are young and the financing of their futures would stretch from pre-school childcare, elementary and secondary school through to their post secondary education.

Trustees should be chosen with care. They should have the ability to manage the trust in the best interest of your children and know when to seek professional advice on investment strategies and tax planning considerations. The will should also provide for the appointment of replacement trustees should the trustees be unable to fulfill their duties.



The Executor

The executor is the person that the will appoints to carry out your wishes as stated in the will. Generally the executor's responsibilities include gathering the assets of the estate, paying all outstanding debts including taxes, and ensuring that the remaining assets are distributed according to the terms of the will. Each province has legislation specifying the powers of the executor. While these powers vary greatly, they can all be described as restrictive. For this reason, you may wish to specify any and all powers that you consider would be necessary for your executor to be able to manage your estate efficiently and effectively.

Meet with Your Chartered Accountant

Preparing a will requires more than simply setting out how your assets are to be distributed to your survivors upon your death. This is especially apparent in considering the funds that the guardians would need to raise your children.

As part of your estate and tax planning, meet with your chartered accountant to discuss:

- the likely value of your estate after all the obligations, including probate and income taxes, are met
- the potential earnings if the proceeds are invested to finance your children's future, and
- assets that may not be dealt with in your will, such as life insurance policies, pension plans or other

benefit plans for which you have designated a beneficiary.

It is also important to identify and plan for any assets that will not automatically be included in your estate such as property held jointly which passes automatically to the survivor, shares of corporations with a restriction on stock transfers, other property subject to buy-sell or survivorship arrangements, and property subject to trusts or limited ownership.

Get Professional Advice

Your will is undoubtedly one of the most important documents that you will sign in your lifetime. Be sure to seek advice from both your lawyer and your chartered accountant to ensure that your will deals with all possible situations and that your wishes are as clear as possible.

MANAGEMENT

A Heavy Load

WHEN JOB RESPONSIBILITIES REQUIRE LIFTING OR MOVING MERCHANDISE, SUPPLIES OR EQUIPMENT, THE OWNER/MANAGER NEEDS TO ENSURE ALL EMPLOYEES KNOW AND PRACTICE PROPER PROCEDURES AS WELL AS HAVE THE APPROPRIATE TOOLS THAT CAN HELP MINIMIZE THE RISK OF INJURIES.

Since many companies hire students during this season, now is an excellent time to focus on the prevention of sprains and back injuries that can result from improper lifting. As these injuries can happen in the warehouse or shop, on a job-site or in the office, everyone in the company needs to be aware of and practice proper lifting procedures.

Best Practices

Whether employees are doing light or heavy lifting, awareness of some common sense rules can help them avoid strains, sprains and other injuries:

- Make sure your footing is solid before lifting. Wear appropriate footwear with slip-resistant heels and soles.

- Lift, push and pull with your legs, not your arms or back.
- Avoid unnecessary bending. Do not place objects on the floor if they must be picked up again later.
- Avoid twisting your body. Turn your feet, not your hips or shoulders.
- Tip heavy objects on their side. If they're too heavy, take several trips, get assistance or use a mechanical aid such as a dolly or forklift. Do not lift excessive weights alone.
- Move to objects rather than reaching out for them. Keep the load close to your body. Carry the load with elbows close to your body. When you set the load down, remember to squat, bending at the hips and knees.
- Do not engage in any activity that requires catching or stopping moving objects, or throwing objects into bins or vehicles or onto shelves.
- Gradually work towards heavier tasks by starting with lighter loads and moving into heavier tasks, and then taking a cooling down period.

- Wear special back support devices for jobs that require heavy or repetitive lifting.
- Keep in shape. Exercise regularly and eat properly.

Review On-the-Job Tasks

In working together to ensure safe lifting practices, the owner/manager, supervisors and employees should take time to review:

- the physical tasks that employees are required to perform each day
- existing procedures and standards
- the need for improvements in procedures, processes or workplace design, and
- the frequency of training and other communications programs that serve to reinforce safe practices.

Looking at each lifting task that is required, consider:



- Can reach distances be reduced to lessen the need for stretching or twisting?
- Are work heights and practices comfortable and appropriate for required tasks? Does the design of the work area encourage a comfortable position and good posture?
- Can items be repositioned to improve handling? Can materials be closer at hand to reduce the need to move items?
- Do crates and boxes have handles or slots that make it easier to grip them? Are supplies packaged in manageable sizes, shapes and weights?

- Are boxes or cartons exceeding certain weights, labelled "Heavy" to warn employees?

To improve a process or work area where lifting is involved, consider:

- using conveyers, forklifts, hoists, tow motors, turntables and other mechanical aids. For example, the stress of lifting a weight from a level that is below the knees can be eliminated with a spring or hydraulic table that raises the article to a better position for lifting.
- reducing the physical stress of lifting through improvements in the design of the workplace. Simple modifications such as tilting a work surface can help ensure a major load is appropriately placed on the body for lifting.
- rotating job functions to reduce the risk of repetitive injury syndrome. For example, vary the routine from lifting inventory to driving the forklift.
- ensuring employees are attuned to their ability to deal with the stress of lifting or moving heavy weights. Just as athletes "warm up" before participating in rigorous activities, employees should loosen up and stretch their muscles before lifting, pushing or pulling.
- reminding all employees to point out and correct unsafe procedures.
- encouraging employees to keep fit with in-house physical fitness programs or incentives for outside programs.

Safety is Everyone's Concern

Communicating three important messages to all employees can go a long way in preventing injuries:

- Safety is everyone's concern.
- Think before you act.
- If you don't know the right way to do it, ask.

The risk of temporary or permanent injury and lost productivity along with the costs of workers' compensation and medical claims are strong motivators for being proactive.

MONEYSAVER

Commission Sales Reps

COMMISSION SALES REPRESENTATIVES ARE RESPONSIBLE FOR MARKETING SPECIFIC PRODUCTS OR SERVICES IN A DEFINED TERRITORY AND ARE TYPICALLY REMUNERATED THROUGH COMMISSIONS ON SALES. FOR SMALL BUSINESSES, THIS TYPE OF ARRANGEMENT MAY BE THE BEST MEANS FOR EXPANDING THEIR MARKET, DEVELOPING NATION-WIDE BRAND LOYALTY, AND OVERALL BOOSTING THE COMPANY'S BOTTOM LINE.

While the arrangements between a company and its independent sales representatives may start with a verbal agreement and perhaps a letter of intent, it is important to have a written commission sales agreement to ensure the terms of the relationship are clearly defined and situations that could give rise to misunderstandings are avoided. As this contract stipulates the understandings between the company and the sales representative, be sure to seek professional advice before finalizing the agreement.

Commission Sales Agreement

A commission sales agreement sets out the terms of the relationship between the company and the commission salesperson. Generally, this agreement deals with the details of such matters as:

- the structure of commission and other compensation
- the representative's responsibilities
- the handling of inventory
- non-competition and confidentiality matters, and
- termination of the agreement.

Compensation

A first consideration is whether the sales representative is to be an independent contract worker or a company employee as this status will affect matters such as company benefits, insurance coverage such as Employment Insurance, Workers' Compensation and withholdings such as income taxes and GST.

The agreement should set out the specifics of the:

- rates of commission
- base compensation per year, if applicable
- payment periods, whether weekly, bi-weekly or monthly
- sales commission as percentage of net revenue, and
- bonus plans or other incentives.



The agreement should also set out when commissions are earned and calculated and when they are paid. If, for instance the representative is paid before the receivable is collected, your company could face a cash crunch in having to pay sales commissions and inventory costs at the same

time. Also consider whether the representative is required to assist in collecting overdue accounts.

Set out the understandings for additional commissions and other incentives for special promotions. Consider also whether there should be an upper dollar limit or time limit beyond which the agreement will need to be renegotiated.

Responsibilities

Defining the responsibilities of the sales representative is important for ensuring the job gets done and avoiding disputes in the future. The agreement should clearly set out matters such as:

- the sales representative's reporting responsibilities
- frequency and format of sales reports, whether daily, weekly or monthly
- whether the sales representative is expected to work out of his or her home or will have an office at the company
- the sales territory, the sales quota and whether measured bi-weekly, monthly or yearly
- the marketing materials and support the company will provide
- arrangements where the sales representative is to pay for advertising or shipping, maintaining a remote office, and/or employing assistants
- if a vehicle is required and whether it is the representative's vehicle or a company-owned or leased vehicle



- where the sales representative provides his or her own vehicle, if automobile expenses are to be reimbursed or the company will provide a car allowance, and

- arrangements for accommodation, meals, entertainment and other travel expenses.



Inventory

If the sales representative is to maintain inventory, the agreement should set out matters such as:

- how inventory will be shipped

- the minimum inventory that the representative is to maintain
- arrangements for doing store displays, and
- the handling of returned goods.

Confidentiality

A non-competition clause and confidentiality agreement protect the company's interests in areas such as trade secrets, customer lists and other proprietary interests. For example, the agreement should set out parameters for the:

- protection of customers' names and addresses, sales history and credit ratings, and
- restrictions on the representative's use of any information about your business, products or customers and suppliers.

Termination of the Agreement

When a representative leaves or the company terminates the agreement, a non-competition clause protects the company's interests. Although perhaps more difficult to enforce, the agreement may also address the solicitation of your company's customers. Consider also that if the representative quits, your company will need sufficient time for making arrangements with a new representative for that territory and informing customers of the change. Without proper transition time, the competition could quickly take over your customers and your company could lose its investment of time and money in that sales territory.

The agreement should set out provisions for matters such as:

- the period of notice the representative is required to give the company on resigning
- the return of company proprietary data or property that the representative may have on hand such as inventory, pricing lists, budgets, and customer information, and
- the timing of final payment of any outstanding commissions.

The agreement may also set out situations that could give rise to the termination of the agreement, such as if the sales representative:

- fails to reach stated targets
- does not submit appropriate records, results, projections, commission statements on a timely basis, or

- misrepresents the company and its products or services.

SETTING OUT YOUR UNDERSTANDINGS WITH A PROPERLY PREPARED AGREEMENT WILL HELP ENSURE A MUTUALLY PROFITABLE WORKING RELATIONSHIP WITH YOUR COMMISSION SALES REPRESENTATIVES AS WELL AS PREVENT LOSSES THAT COULD ARISE FROM MISUNDERSTANDINGS OR OVERLOOKED DETAILS.

“McQuiggles Giggles”

THE WORLD’S SHORTEST LOVE STORY... ABOUT GOLF

I HATE GOLF.
I HATE GOLF.
I HATE GOLF.
“NICE SHOT”.

I L♥VE GOLF!!



“MY WIFE SAYS IF I DON’T CHUCK GOLF, SHE’LL LEAVE ME”.
“WHAT A SHAME”.
“YES, I’LL REALLY MISS HER”.

WIFE TO HUSBAND RUMMAGING THROUGH THE FREEZER:
“IF YOUR LOOKING FOR THE FISH YOU CAUGHT, I FROZE IT IN AN ICE CUBE”.

I’VE NEVER UNDERSTOOD WHY WOMEN LOVE CATS...



Cats are independent; they don’t listen; they don’t come in when you call; they like to stay out all night; come home and expect to be fed and stroked; and then they want to be left alone and sleep..



IN OTHER WORDS, EVERY QUALITY THAT WOMEN HATE IN A MAN, THEY LOVE IN A CAT!!!

FOR YOU PARENTS OUT THERE....

Dad: “Did you use the car last night?”
Son: “Yes, Son ... I took some of the guys for a ride”.
Dad: “Well, tell them I found two of their lipsticks”.
Son: “Dad did you see the stork that brought me?”
Dad: “Only the bill”

Parents don’t bring up their children any more.. they finance them!!!

Kids are hard to figure. They can learn to operate a computer in nothing flat, but cannot understand how a clothes hanger works!!!

Parents are people who have pictures in their pockets where money used to be!!!