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## Your Midyear Check-Up

By Colleen DeBaise  
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**AH, SUMMER. THINK** lemonade, sunny afternoons and long shadows dancing across your "Open For Business" sign, which now serves to mockingly remind you that you're at work while your customers are at the beach.

"The summer months are killers for business owners," says Jerry L. Mills, author of "The Danger Zone," a new book that outlines common pitfalls for entrepreneurs. His advice? Don't be lulled into complacency by the downtime. Instead, take the opportunity of the sales slowdown to give your business a midyear check-up, reviewing tax strategies, employee-benefit programs, financial goals, and — most importantly — cash-flow needs for the second half of the year.

Without it, a cash crunch may be looming, as quarterly tax payments come due in September and year-end expenditures on employee bonuses, profit-sharing programs and 401(k) matches must be doled out. "We go through July and August — and we get lazy," he says. "It's a time when cash — the life blood of the business — gets overlooked."

Mills, the founder of a Phoenix firm that provides part-time CFO services to small businesses, recommends that owners worried about the months ahead devise a 90-day plan, listing all expenses that need to be paid and all payments to be collected in that period. If there's a shortage of cash, he suggests pinpointing areas to cut back on spending, and if need be, sitting down with a banker for advice.

So make hay while the sun shines. Here are other areas to look at during the summer doldrums:

### Spiff Up

Summer is a good time to think about refurbishing the office — and locking in the associated tax benefits. Most small businesses are entitled to immediately deduct up to \$108,000 for equipment, machinery, furniture, software and other assets placed into service during 2006, under what's known as the Section 179 deduction. "If you start looking at this Dec. 19, that cabinet is going to take two weeks or so to be delivered," says Jeff Kelson, tax partner at BDO Seidman LLP in New York. "It's good to lay the groundwork now."

### Review Your Income Taxes

People who are in business for themselves generally have to pay estimated taxes four times a year (the next due date is Sept. 15, and the last for this tax year is Jan. 15, 2007). Sit down with your accountant to make sure you are setting aside enough cash to make your quarterly payments, which are typically based on last year's taxes. Now that the year is half over, determine if you need to adjust the remaining payments — especially if you are paying more than you owe. While you'll get the overpayment back as a refund or credit, "you don't want to give the IRS an interest-free loan," Kelson says. On the flip side, adjust the payment if you're paying too little to avoid a big tax bill and under-payment penalties come April 15. For more on this, [click here](#)<sup>1</sup>.

### Go Energy-Efficient

High price of gas got you down? Consider replacing your traditional business wheels with a hybrid, says Bob D. Scharin, senior tax analyst at Thomson Corp. unit RIA in New York. Depending on the vehicle, you may be able to take a tax credit of up to \$3,400, which is new for 2006. "That and the added fuel efficiency could certainly make it worthwhile," he says. Also, business owners may want to take advantage of a new special deduction for energy-efficient commercial building property, which applies to new installments of environment-friendly lighting systems, windows, doors and other fixtures. For more on

this, [klik here](#)<sup>2</sup>.

### Schmooze With Your Banker

Few businesses can grow without the help of a bank loan. So who better to share an iced tea with than the person who holds the golden ticket? With business slow, "now's a great time to visit with a banker, and build a relationship," Mills suggests. "During the fall and Christmas season, it's tough."

### Craft Your Disaster Plan

Don't forget that summer breezes can turn to hurricanes. Preparing for the worst can help minimize the risk. Sample disaster plans are widely available on the Internet, including the Small Business Administration's site, and can be customized for your business. Use the downtime to review insurance policies, develop a contingency plan, and make back-up copies of all critical records, such as accounting and employee data, customer lists, production formulas and inventory.

Links in this article:

<sup>1</sup><http://www.smartmoney.com/tax/filing/index.cfm?story=estimated>

<sup>2</sup><http://www.smartmoney.com/taxmatters/index.cfm?story=20050818>

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