

Small Business is Our Business...

Small Business Advancement National Center
 University of Central Arkansas
<http://www.sbaer.uca.edu>
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The Small Business Advancement Electronic Resource

Instant up-to-the-moment electronic small business information is provided to small business clients through our Small Business Advancement Electronic Resource. This connection serves as an extensive electronic link among small business owners, entrepreneurs, foundations, educational institutions, associations, international partners, and local, state, and federal government. The World Wide Web site offers an endless supply of valuable information that is geared towards helping both already established businesses as well as those just beginning. At the present time, the electronic resource is servicing the United States and its protectorates as well as over seventy nations worldwide.

Examples of information provided include industry profiles, business plans, research articles, international and domestic contact databases, and loan information. Check out the Electronic Resource at the following address: www.sbaer.uca.edu

PAYROLL TAX WITHHOLDINGS BECOME A SMALL BUSINESS'S POTENTIAL CASH FLOW PITFALL

Daryl V. Burckel of Mississippi State University and Bruce Swindle of McNeese State University speak of the potential hazard of failing to pay federal employee withholding taxes in their paper, "Payroll Tax Withholdings: A Potential Cash Flow Pitfall." "As if the pressures of handling cash flow, creditors, customers, employees, suppliers, were not enough, there is the 100 percent penalty for failure to pay taxes," says Burckel and Swindle.

Many small business owners are not aware of the consequences of not paying their employee withholding taxes to the IRS in a timely manner. It is easy as an owner of a small business to take care of payroll on Fridays, but then to ignore the payroll tax withholdings in order to pay for other debts that seem more pressing such as vendors and utility bills. It takes a while for the IRS to realize that a small business owner is delinquent on his/her taxes, however when they do, there may be a 100 percent penalty imposed for the funds not paid. Burckel and Swindle say that any person will be liable if:

1. "The failure to collect funds or the diverting of funds was willful," and
2. "The individual was a responsible party during the reporting period. The individual owner-manager or others may be held personally liable for the penalty."

Most business owners, partners, or shareholders do not understand that even if a company files bankruptcy, the delinquent payroll

taxes are still due. Burckel and Swindle state that "a sole shareholder and managing officer of a corporation willfully failed to pay over withholding taxes, and his debt was not dischargeable in bankruptcy." Even if there is no money to pay for the taxes out of the business funds, the owners become liable for the taxes on their own.

A certain situation occurred where an individual owned a day care that was struggling to pay the bills. This individual decided to put the business up for sell. However, there was a substantial amount of unpaid payroll taxes involved. The owner had been sent several certified letters by an IRS agent and even had liens put on all bank accounts until the taxes were paid. Before being able to sell the business the owner had to agree to do the following:

1. Meet with the IRS agent in person.
2. Bring a list of all personal assets, personal bank accounts, and pay stubs from the current employer.
3. Sign a release form that allowed the IRS to take from the sell profits all of the money owed in taxes up front.
4. Bring proof that the business was about to be sold by showing the agent a "bill of sale" with the buyer's signature on it (if the owner had no proof that the business was about to be sold, the IRS had every right to begin to garnish wages and place holds on any personal assets and bank accounts until the amount of taxes owed was paid in full).

This particular individual was able to sell the business, and fortunately pay the IRS with the profits from the sale. However, had the business sale not gone through by a certain date, the IRS would have taken the action necessary to pay back the taxes with the owner's personal assets and funds.

This problem persists more and more in small businesses. Many owners are not aware of the consequences of not paying their payroll taxes until it is too late. To find out more about this subject and to read the entire paper by Burckel and Swindle visit our web site at:

<http://www.sbaer.uca.edu/Docs/Proceedings/91sbi019.txt>

TIP OF THE WEEK

Communication Flow in Organizations

(Taken from "Business Communications," see below for credit)

The flow of communication in an organization contains three parts: downward, upward, and horizontal. Downward communication is communication that flows from supervisor to employee, from the people who make the policies to the people who operate them. This form of communication includes teaching personnel how to do specific duties, orientating them to an organization's procedures, rules, mission, and history, and helping employees learn about the quality of their job performance.

Upward communication is usually the information received back from the employee in response to the downward communication. "Accurate upward communication keeps management informed about the feelings of lower-level employees, taps the expertise of

employees, helps management identify both difficult and potentially promotable faculty and staff, and paves the way for even more effective downward communication (1996)."

Horizontal communication is defined as the interactions between the employees at the same level to coordinate activities that occur within an organization. Supervisors have to recognize that informal horizontal communication takes place in any work place where persons are available to each other. This informal communication that is not always task oriented contributes to the morale of the organization, improvements in the way duties are performed, and sometimes clarifies upward and downward communication.

In any organization, people need to keep talking to one another, so that they can work through their problems, overcome barriers, and find encouragement and support from others that are involved with similar goals and efforts. It is imperative to have all three of these communication flow techniques if an organization is going to run smoothly. Hugh B. Jacks, President and Owner of Potential Enterprises and Adventure Safaris, says that "any company that wants to remain competitive and successful in today's business environment must develop and use channels of communication that flow in all directions (1996)."

"Business Communications," 11th Edition, Lehman, Himstreet, Baty, South-Western College Publishing, Cincinnati, Ohio, 1996, pp. 43-6.

If you have any suggestions about our newsletter or if you have an upcoming small business event in your area, please contact Kim Stubbs (kstubbs@mail.uca.edu).

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