

TIPS *from* LauberCFOs

So Your Business Sustained a Loss. Now What?

In this economic environment, many businesses sustained losses in 2009. The typical scenario was an abrupt revenue decline early in the year, with the company unable to reduce fixed costs quickly enough to offset the revenue loss. In this "Tips" we address what to do now and how recent changes in the tax law may help your cash-flow.

What to do now?

- Learn from it. Don't let it happen again.
- Based on current revenue trends, determine where your expenses need to be to show a profit. An **interactive financial model** is very helpful for this purpose. It allows you to project net income under various levels of revenue and develop benchmarks to track progress.
- Reporting actual results against these benchmarks helps you determine in a timely manner if the business is on track to return to profitability.
- If fixed costs are too high in the short term, evaluate if there is any room to improve margins without losing customers.
- A **product line profitability review** will provide direction on where to focus limited resources.
- Compare expenses for the past 3 – 5 years to identify areas where there is "cost creep". Focus on reducing these expenses.
- With the scrutiny banks are under, your lender will have very little tolerance for multiple years of losses. You cannot let this become a trend.
- Consult the "Tips" archive on our web site for other suggestions on developing financial plans and returning to profitability.
<http://www.lauber CFOs.com/newsletter/>

Tax loss carry back and carry forward.

- If your business paid taxes in past years, you may be able to use your 2009 losses to obtain a refund of prior taxes paid. Some recent changes in tax law have expanded these provisions.
- For tax purposes, the excess of deductions over income is referred to as a Net Operating Loss (NOL). Historically the tax code allowed a taxpayer to carry a NOL back 2 years to claim a refund of taxes paid and forward 20 years to offset future taxable income.
- The American Recovery and Reinvestment Tax Act of February 2009 increased the number of years losses can be carried back. It has been increased to five years with some restrictions, including limited to businesses with revenues less than \$15 million.
- The Worker, Homeownership, and Business Assistance Act of November 2009 has further expanded the NOL provisions eliminating the size restriction.

As is usually the case with tax law, it is simple in concept but complicated in implementation. Consult your tax professional for tax planning and filing your return.

If you'd like to personally discuss how an experienced LauberCFO can help your company return to profitability or prepare any of the tools mentioned above, call us at 414-273-8060 or, outside of Milwaukee, at 800-358-8060. You can also send me an e-mail at John.Lauber@LauberCFOs.com. One of our LauberCFOs would be happy to work confidentially with you.

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