



03
*Member of
the Year Award*



05
*16th Annual AGC/
CFMA Conference*



07
*S Corporations
& the New Tax Laws*

Extras



c/o 56 Grandville Avenue SW
Grand Rapids Michigan 49503
EDITOR Brandi Clark
Beene Garter LLP
bclark@beenegarter.com
westmi.cfma.org

A Quarterly Publication from the Western Michigan Chapter of the Construction Financial Management Association

FROM THE PRESIDENT
ROGER TJOELKER

CFMA: What's In It For You?

I think the old adage “you get out of it what you put into it” applies here and it turns out that there are a variety of ways to get involved. As we start another CFMA season, I'd like to take a few minutes to reflect on the ways to get involved, along with the value that might bring to you and your company.

Personally, I've found CFMA essential to my growth and success in three areas: connecting with people in the construction industry, continuing education and benchmarking.



CFMA's mission is to be essential to the success and growth of construction financial professionals. At the national level, CFMA recently defined four strategic goals that are the foundation and primary means that CFMA will deliver on this mission. Details of this new plan can be found at www.cfma.org. In summary, the four goals are:

1. To continually develop and deliver value to members and their companies.
2. To enhance the member experience by strengthening the Chapter/Headquarters relationship.
3. To be the premier source of education for construction financial professionals.
4. To be the source of construction industry financial information and expertise.

Personally, I've found CFMA essential to my growth and success in three areas: connecting with people in the construction industry, continuing education and benchmarking.

Connecting with People in the Construction Industry

This is probably the most valuable aspect of being a member of CFMA and it starts with the monthly general meetings. Our chapter has a great mix of general contractors, specialty contractors, accounting firms, law firms, insurance/bonding companies and banks. Each meeting is an opportunity to reconnect with friends and meet new people that may have a role in the success of your company.

Take these connections to another level with our chapter's roundtable groups. These small groups meet monthly, are a great opportunity to get to know people, and give and receive advice on issues that member companies face.

Other opportunities to connect include chapter social events, the annual golf outing, job site visits and national conferences. Join our CFMA chapter



Mission:
CFMA's mission is to be essential to the success and growth of construction financial professionals.

and national groups on LinkedIn as well as the Connection Café on the CFMA site. Another great way to connect and work with industry peers is to volunteer for committees and boards at either our local chapter or national level.

Continuing Education

Each monthly general meeting provides the opportunity to hear from an expert on topics related to our profession, industry or community. Every year our program committee offers a seminar, a four hour deep dive into a relevant topic. Recent seminars have included presentations on contracts, prevailing wages and out of state work. Our roundtables are another opportunity for learning

about innovative solutions to some of the challenges facing local companies.

CFMA is working hard to become the conduit for delivering continuing education to construction financial professionals at the national level. The Building Profits magazine, webinars, e-learning courses and annual conferences are all means for delivering content. I've found the annual conferences to be very focused on both personal and professional development. I attended an event hosted by Microsoft at the conference this year which was a dinner conversation with FMI about leadership in a VUCA (Volatile, Uncertain, Complex, Ambiguous) world—the topic of an upcoming webinar in September. CFMA also provides the CCIFP certification, the only industry-recognized certification that a financial professional truly knows the unique business of construction.

Benchmarking

One of the best sources of financial data on contractors is CFMA's annual financial survey which includes an online benchmarking tool. Compare your balance sheet, financial results and ratios to industry averages, as well as best in class contractors. This is a great opportunity to uncover areas in your company that need attention and set measurable improvement goals. CFMA's IT survey is another useful tool to discover how other contractors are using technology and identify trends in technology that will impact your company.

Finally, those connections with people that I mentioned earlier are a great source for benchmarking. In a national organization like CFMA, you can find and connect with the best and brightest contractors — people at the top of their game in companies that lead the industry. Hang out with people like that for a while and chances are good that you and your company will improve.

As you can see, there are a variety of ways to take advantage of your CFMA membership and I encourage you to get involved in as many as you can. The more you plug in, the more you'll get out of it!

CFMA WEST MICHIGAN CHAPTER

2012-2013 Board of Directors

PAST PRESIDENT

Randy Brink
Kent Companies

PRESIDENT

Roger Tjoelker
Feyen Zylstra

VICE PRESIDENT

Andy Odehnal
Van Laan Concrete Construction

SECRETARY

Tom VandenBosch
Allied Electric

TREASURER

Shanna Reynolds
Crowe Horwath LLP

DIRECTOR

Robert O'Brien
Miller Johnson

DIRECTOR

Todd Hanson
Connect Resources

DIRECTOR

Jeff Koster
Wolverine Building Group

DIRECTOR

Jennifer Murphy
Pleune Service Company

PROGRAM COMMITTEE CHAIR

Andy Odehnal
Van Laan Concrete Construction

MEMBERSHIP COMMITTEE CHAIR

Ann Plummer
Beene Garter LLP

PROMOTION COMMITTEE CHAIR

Harriet Perdue
Owen-Ames-Kimball Co.

GOLF COMMITTEE CO-CHAIRS

Jake Berzkalns
Rohde Construction

Rhonda Huismann
Crowe Horwath LLP

Ammon Honored by State Bar of Michigan as Outstanding Business Lawyer



Miller Johnson attorney and active CFMA West Michigan Chapter member Jeffrey S. Ammon is the recipient of the 2012 Stephen H. Schulman Outstanding Business Lawyer

Award, presented by the State Bar of Michigan's Business Section. He was chosen because of his contributions to Michigan business law, business lawyers and those who business lawyers serve

and assist. Honorees of this prestigious award exemplify the highest quality of practice, the utmost professionalism, dedication to service and commitment, and ethical conduct and collegiality within the practice. The State Bar of Michigan's Business Section presented the award at a reception held at the Sheraton Detroit on September 20, 2012. Please be sure to congratulate Jeff on this prestigious honor!

03 >

Member of the Year Award

It's the policy of The Western Michigan Chapter of CFMA to present to one of its members every year a Member of the Year Award. This award is given to a member to recognize their contribution to the leadership, development and/or promotion of the chapter.

The person selected for the award is chosen by a committee composed of the current president plus the four most recent recipients of the Award. There are no specific criteria for this Award; it is given at the discretion of the committee. Past presidents are often nominated or chosen for the award since the Chapter's Succession Plan in effect requires that the President have been involved in leadership

for several years. And even though the bylaws do not allow for associate members to be president, the award has been given to several associate members because we are fortunate in having many associate members who are very active and supportive of the Chapter.

In the fall of 2005, the name of the award was changed to the LaForest Krantz Member Achievement Award in memory of LaForest Krantz. Forest was active in CFMA both locally

and at the national level. Forest and his wife died in an auto crash in April 2005 while returning from a vacation trip.

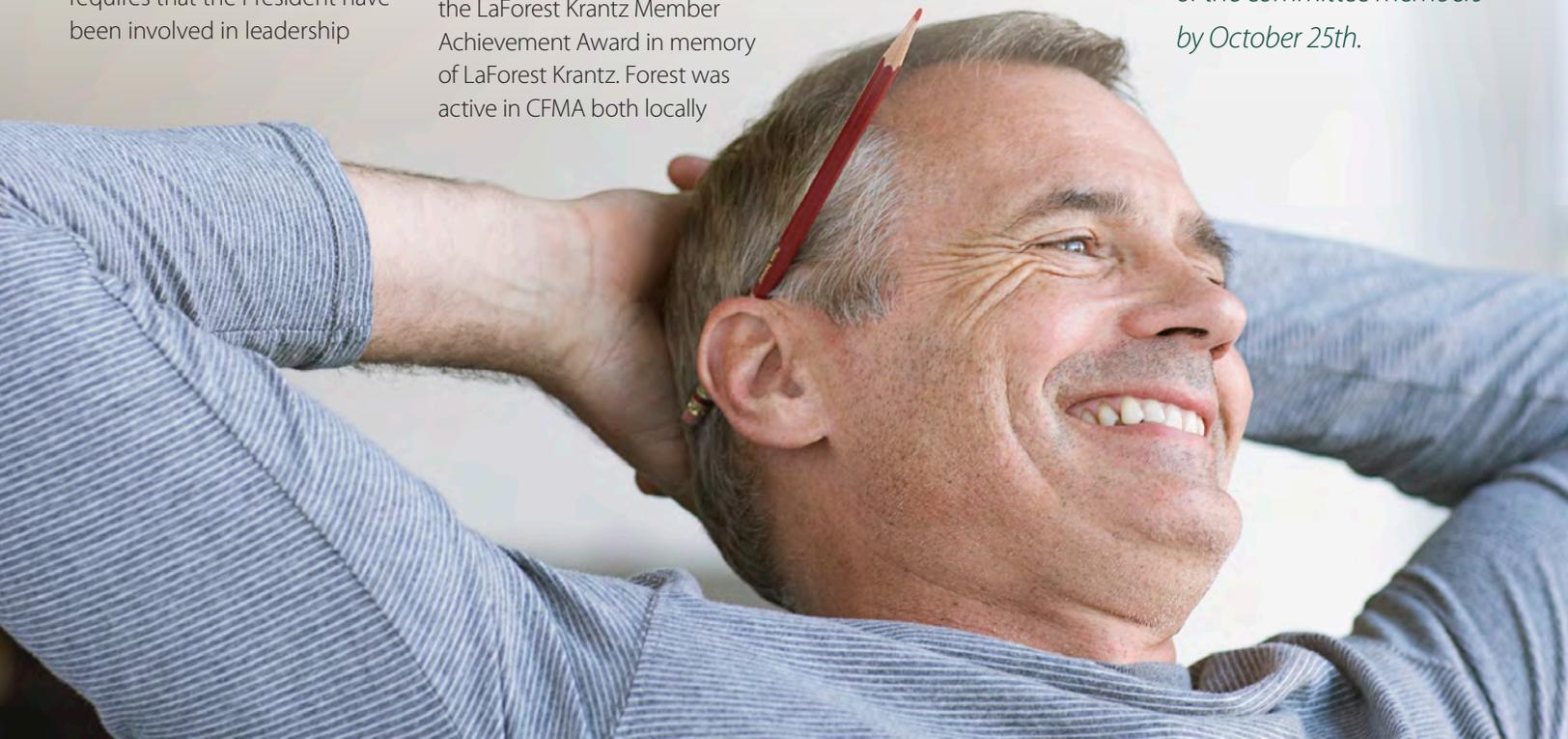
If you would like to nominate someone you feel should receive this award, please contact one of the committee members by October 25th.

Committee members are:

- Roger Tjoelker
- Dave Smith
- Rhonda Huismann
- Harriet Perdue
- Jake Berzkalns

Previous recipients are listed on the chapter web site at <http://westmi.cfma.org/member-of-the-year-award>.

If you would like to nominate someone you feel should receive this award, please contact one of the committee members by October 25th.



04 >

The quality of the speakers, panel members and educational topics proved to be exceptional, up to the standards set by all previous conferences. Many of the individual sessions are available to listen to online.

CFMA Conference Recap

Thank you West Michigan Chapter for making it possible for me to attend this year's annual conference in Orlando. While I certainly am not a first time attendee, it has been a few years since I was able to last attend. The facilities were great and very accessible, even with my handicapped foot.

My main focus this year was earning CPE credits so the ability to accomplish this in just a few days made a big difference. Chapter Summit X on Saturday and Contracts 101 with Jeff Ammon on Sunday were educational, as well as entertaining, and a great way to start the conference. The general sessions were inspiring and uplifting—the economic general session even had its humorous moments. The quality of the speakers, panel members and educational topics proved to be exceptional, up to the standards set by all previous conferences. Many of the individual sessions are available to listen to online.

You have heard it before but it is very true: if you have not gone to a conference, you are missing out on a valuable resource offered by CFMA. The annual conference is worth the time, effort and cost with the added benefit of being focused on construction financial professionals.

Ellen Zierleyn, CCIFP
OWEN-AMES-KIMBALL CO.



21st Annual CFMA Golf Outing Recap

The 21st Annual Golf Outing was held on June 6, 2012 at Railside Golf Club. 50 golfers came out to enjoy a beautiful summer day of great golf, food, prizes and networking. Two teams finished the day with a low score of 60.

The winning team, which was decided based on handicap, included Ben Hammond, Aileen Leipprandt, Anita Rathbun and Jim Huyser. The second place team included Mark James, Jim Karris, John Koscielniak and Tim Koster. Amazing job! In addition to the golf tournament, there were also competition holes for Longest Drive and Closest to the Pin. The Men's Longest Drive prize went to Steve Alles and the Men's Closest to the Pin

winner was Ben Hammond. The Women's Longest Drive and Women's Closest to the Pin were both won by Linda DenHartigh. Congratulations to all the winners!!!

This was the first year that we offered a hole in one contest and although no one went home with the cash prize, fun was had by all in attempting to make it. Thank you to Light-house Insurance for sponsoring the contest for us.

We would like to thank this year's tee sponsors: Bank of Holland, Beene Garter, Crowe

Horwath, Dan Vos Construction, Kent Companies, Plante Moran, Rohde Construction, T-Check and Van Laan Construction. We'd also thank those who generously donated door prizes: Aktion Associates, Beene Garter, Crowe Horwath, Pinnacle Insurance, River City Mechanical and T-Check. Thank you to all who helped to make this outing a success again this year!

We look forward to seeing you at the course next summer for the 22nd Annual Outing! Until then, make it a great year!

**Jake Berzkalns &
Rhonda Huismann**
GOLF COMMITTEE CO-CHAIRS



AGC/CFMA Construction Financial Management Conference

Jointly sponsored by the Associated General Contractors of America (AGC) and the Construction Financial Management Association (CFMA), the 16th Annual AGC/CFMA Construction Financial Management Conference was developed in response to a need for programs and workshops designed specifically for financial professionals in the construction industry.



The three-day conference is scheduled for October 24-26, 2012 at Caesars Palace in Las Vegas. It is filled with 36 interactive sessions, covering the latest industry issues and their financial implications.

Sessions are delivered "group-live" and are at intermediate, overview and update program levels.

For more information, please visit <http://cfma.org/events>

05 >

Hammond to Speak at IRMI Conference This November



Construction law attorney and active CFMA West Michigan Chapter member Ben Hammond, of Hilger Hammond, will speak at the 32nd IRMI Construction Risk Conference this November in Orlando, FL.

Hammond will speak on November 13 on the topic of Insurance Coverage for Construction

Defect Claims. The conference is recommended by CFMA and typically attracts more than 1,000 project owners, contractors, insurance company underwriters, claims managers, coverage attorneys and brokers who specialize in construction. This year's conference will be held at the Gaylord Palms in Orlando from November 11-15. As in years past, IRMI will offer discounts for CFMA members. For more information, please visit <http://irmi.com/conferences>.

GENERAL MEMBERSHIP MEETING SCHEDULE

2012-2013 Meeting Schedule:

Stonewater Country Club
7177 Kalamazoo Avenue SE
Caledonia

10/25/2012 Tim Mroz, The Right Place, Inc.
West Michigan Political Update

11/15/2012 Ken Julien, Plante Moran
Strategies to Improve Margin

December NO MEETING

1/24/2013 TBD Leadership Grand Rapids

2/28/2013 Rehmann Group
National Economic Update

3/28/2013 Sarah Tountas, Miller Johnson
Health Care Update

4/25/2013 Steve Hilger, Hilger Hammond
Top Ten Contract Killers

5/23/2013 Jim Berry, Bevelwise
Social Media, Web, Electronic Marketing



Welcome new members:

Aileen Leipprandt, Hilger Hammond, PC
Timothy Ricketts, T. Daniels Consulting
Robert Westdorp, Baker Holtz, CPAs and Advisors
Chrysostom Rowland, Division 6 of Creative Merchandising
Thomas Prince, Hungerford, Aldrin, Nichols & Carter
Dora Baker, Feyen-Zylstra LLC

Replacement members:

Kevin Velting, Velting Contractors
Barbara VanderMeulen, VanderMeulen Builders / *Replacing Trina Goble*
Danielle Churchill, Target Construction / *Replacing Nicole Mollien*

Membership Stats:

General Members	57%
Associate Members	43%

Student Membership Campaign

We are reaching out to several college and university groups in order to increase CFMA student memberships. We currently do not have any student members and are hoping to increase student involvement by offering an initial free lunch at our General Membership meetings. If you know any students or student groups that may be interested, please email Tom Vandenbosch at tvandenbosch@allielectricinc.com. A membership application can be found [here](#).

CFMA Western Michigan Chapter Mission Statement

As the source and resource of construction financial management in West Michigan, our Association unites individuals having financial responsibilities in the construction industry. We provide a forum through which the Association's members can meet to network and exchange ideas. We promote and encourage leadership within the construction industry, as well as our Association. We develop and coordinate educational programs dedicated to the purpose of improving the professional standards of the industry and enhancing the value of construction financial managers to their respective companies.



With Recent Tax Law Changes, Should S Corporation Shareholder Compensation Be Reexamined?

DAN LYNN CPA, MBA, TAX PARTNER / BEENE GARTER LLP

With the expiration of the Bush Era tax cuts at the end of this year and the Michigan Corporate Income Tax (CIT) taking effect in 2012, 2012 and 2013 are years of significant tax change for Michigan closely held businesses.

07 >

Various tax factors including the Michigan Business Tax (MBT), Domestic Production Activities Deduction (DPAD), Research and Development (R&D) credits and payroll taxes may have influenced shareholder compensation strategies over the past several years. With significant changes in the tax landscape old compensation policies may no longer optimize tax efficiency.

This article examines the effects of shareholder compensation on the taxes of S Corporations and shareholders. Although the aforementioned tax law changes may also affect C Corporations, other factors beyond the scope of this article must be considered for C Corporations.

Under the MBT, additional shareholder compensation reduced the business income tax portion



With significant changes in the tax landscape old compensation policies may no longer optimize tax efficiency.

of the MBT. Consequently, bonuses paid to shareholders could have provided an MBT savings of approximately 6% (assuming all business income was earned in Michigan). Although this savings was mitigated by the Medicare tax, the net tax impact would have been a savings of about 3%. In the case of contractors qualifying for the DPAD, this benefit would have been further reduced. Although the DPAD is now fully phased in, compensation and bonus plans devised prior to the full phase in of the DPAD may not have considered the effects of this deduction.

Because the CIT does not apply to S Corporations, increased shareholder compensation does not provide a state tax benefit and may result in additional federal income and payroll taxes. Comparative tax effects

of shareholder bonuses are examined in the following example:

John is the sole shareholder of Build-it, an S Corporation. His compensation has been determined to be reasonable and would likely be reasonable whether or not an additional bonus is paid. John's practice is generally to bonus out some of the profits of the corporation at the end of each year. Build-it is a commercial contractor operating solely in Michigan whose business is comprised of a mix of new construction and renovations. A quarter of Build-it's income qualifies for DPAD.

Under the MBT, if John paid a bonus of \$100,000 he would have realized a tax savings of about \$1,400. Now that the CIT is effective, the payment of an

	Tax Effect of Additional Shareholder Compensation under the MBT	Tax Effect of Additional Shareholder Compensation for an S Corp. under the CIT
Shareholder Bonus	100,000	100,000
MBT Savings	6,000	n/a
Payroll Taxes	(2,900)	(2,900)
Tax Effect of Reduction to DPAD*	<u>(1,700)</u>	<u>(1,800)</u>
Net Tax Savings/ (Cost) of Additional Compensation	<u>1,400</u>	<u>(4,700)</u>

We are currently looking for members to join a brand new committee!

This committee will focus on promoting our chapter through online marketing and communications tools, including social media. If you're an early adopter or enthusiastic user of social media, we need you! Please see any board member if you are interested or would like additional information.

additional bonus by John would result in additional payroll taxes and a reduction of his DPAD deduction with no corresponding state tax savings which would cost him about \$4,700. Assuming shareholder compensation is reasonable, John could then distribute excess earnings of Build-it.

Care must be taken in making shareholder compensation decisions. Unreasonably low shareholder compensation of an S Corporation coupled with distributions could result in the underpayment of payroll taxes and unwanted scrutiny by the IRS (including assessment of interest and penalties). Accordingly, caution must be taken when determining shareholder compensation to ensure compensation paid is reasonable in light of executive responsibilities and other comparable companies. A full analysis

of executive compensation could yield a wide compensation range. Recent changes in tax laws should be considered when determining bonus and compensation plans which fall within the range of reasonable compensation. Once compensation plans are determined, the plans and related support for the reasonableness of compensation should be documented.

Because tax effects may be multi-faceted, you should consult with your tax advisor to determine the tax impact of compensation planning based on your particular facts. Legal counsel should also be consulted in documenting compensation.

Please contact Brandi Clark, Editor, at bclark@beenegarter.com if you are interested in submitting an article for future newsletters.

NOTICE TO PERSONS SUBJECT TO UNITED STATES TAXATION: DISCLOSURE UNDER TREASURY CIRCULAR 230. The United States Federal tax advice, if any, contained in this document and its attachments may not be used or referred to in the promoting, marketing, or recommending of any entity, investment plan, or arrangement, nor is such advice intended or written to be used, and may not be used, by a taxpayer for the purposes of avoiding Federal tax penalties.

Once again we will be participating in Toys for Tots.
Please remember to bring a toy to the November
General Membership Meeting to help 2012 be another
successful year for donations.

Stay tuned for Christmas Carol reminder emails!

