Kakimoto & Nagashima LLP
Certified Public Accountants
Consultants

NEWSLETTER

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Any Questions?

We are committed to providing our clients with quality and excellent services.

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Summary of Articles

Financial Instruments – New Guidance on Recognition and Measurement (ASU 2016-01)

In January 2016, ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" was issued by the FASB to provide new guidance in the area of financial instruments. The new guidance will have an impact on the accounting for equity investments, financial liabilities under the fair value options and presentation/disclosure requirements for financial instruments. The ASU is effective for public business entities for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2017. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods in fiscal years beginning after December 15, 2019.

August 15 is the Deadline for Initial Filing of Nevada Commerce Tax Returns

The Nevada Commerce Tax, which was passed into state law in June 2015, is a tax imposed on business entities, including C corporations, that are engaged in business in Nevada. The first return for all taxpayers impacted by the tax will be due August 15, 2016. The article in this newsletter provides an overview of the Nevada Commerce Tax.

How Technology is Slowly Killing Us

Every day millions of people around the world are injuring themselves on the job. Sure, manual labor and high risk jobs account for the majority of these injuries. However, we can also include the staff accountant, web developer and office workers. How can one injure themselves at these low risk jobs, you may ask? Read on to find out.

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We look forward to providing you with up-to-date accounting and tax information.

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ASU 2016-01 - Recognition and Measurement of Financial Assets and Financial Liabilities

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01") on January 5, 2016, the first installment of a three part FASB series on financial instruments. ASU 2016-01 makes targeted improvements to existing guidance for the recognition, measurement, classification and disclosure of financial instruments. This ASU was initially part of the financial instruments joint project between the FASB and the International Accounting Standards Board ("IASB"). The primary objective of the project was to significantly improve upon the decision usefulness of financial instrument reporting. The FASB and IASB expected their anticipated improvements would simplify the accounting requirements for financial instruments. Unfortunately, the FASB and IASB diverged on several key decisions and, as a result, no complete convergence will take place.

Main Provisions

ASU 2016-01 amends the guidance on the classification and measurement of certain financial instruments. The changes in accounting treatment could have a major impact for those companies with investments in equity securities. Key provisions include:

- Equity investments (except those accounted for under the equity method of accounting or result in consolidation of the investee) are required to be measured at fair value with changes in fair value recognized through net income. There will no longer be an "available-for-sale" classification for equity investments. The ASU did not make significant changes to the recognition and measurement provisions for investments in debt securities.

- Equity investments without a readily determinable fair value are allowed to be valued at historical cost adjusted for changes in observable prices less any impairment.

- Simplifies the impairment assessment for equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When this assessment indicates an impairment, the investment is measured at fair value with the impairment loss, if any, recognized in income.

- Requires separate presentation of financial assets and financial liabilities by measurement category and form on the balance sheet or notes to the financial statements.

- Entities that are not public business entities will not be required to disclose the fair value of financial instruments measured at amortized cost.

- Assess the realizability of a deferred tax asset related to an available-for-sale debt securities in combination with other deferred tax assets.

- Requires, for entities that have elected the fair value option, the fair value change of a liability attributable to instrument-specific credit risk must be reported in other comprehensive income

- Requires public business entities to use the exit price when measuring fair value for disclosure purposes. Eliminates, for public business entities, certain disclosures related to financial instruments measured at amortized cost.

Effective Date

For public entities, ASU 2016-01 will be effective fiscal years beginning after December 15, 2017, and interim periods within those fiscal years.

For all other entities within the ASU's scope, the amendments in ASU 2016-01 will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

Early adoption of the amendments of the ASU is not permitted, except for the early application of certain provisions including:

- Changes in the fair value of financial liabilities due to instrument-specific credit risk in other comprehensive income
- For companies not considered public business entities may elect to discontinue the fair value disclosure for financial instruments measured at amortized cost

Transition

An entity should apply ASU 2016-01 by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year in which the standard becomes effective.

What's Next?

The FASB recently issued its new guidance related to credit losses (the "CECL" standard) in June 2016 (ASU 2016-13, "Measurement of Credit Losses on Financial Instruments"). In determining credit losses, this ASU will require a current expected credit loss ("CECL") model which will replace the existing incurred loss model. The FASB is also currently deliberating on the last component of the three part series which is related to hedging; an exposure draft is expected to be issued in the 3rd quarter of 2016.

Please contact us if you have additional questions or would like further information on how the new ASU may impact your company.♦

Nevada Commerce Tax

August 15, 2016 is the due date for filing the state of Nevada's initial Commerce Tax return. Nevada Senate Bill 483, which was signed into law in June 2015, imposes a commerce tax based on gross revenue assigned to the state.

Who Is Subject to the Commerce Tax?
The tax, which is due annually, applies to entities (including, but not limited to, C corporations, partnerships, sole proprietorships, limited liability companies, and limited liability partnerships) that are engaged in business in Nevada and have Nevada gross revenue that exceeds $4,000,000 in the taxable year.

All entities engaged in business in Nevada (unless specifically excluded by law) are required to file the Commerce Tax return. Even entities whose Nevada gross revenues do not exceed $4,000,000 and who do not owe any tax are required to file a return.

If an entity is organized or incorporated in Nevada it will be registered automatically for the Commerce Tax. If an entity is organized or incorporated outside of Nevada it should review its Nevada activities by going through the nexus questionnaire form available at the State of Nevada's Commerce Tax Frequently Asked Questions web page

http://tax.nv.gov/uploadedFiles/taxnvgov/Content/FAQs/COM_nexus_questionnaire.pdf

and determine if it is engaged in business in Nevada and is therefore required to file the Commerce Tax return.

How is the Commerce Tax Computed?
The tax is based on gross revenue earned from business activity in Nevada for the period July 1 through June 30 (July 1, 2015 through June 30, 2016 for the initial tax year). This period is to be used regardless of an entity's actual year end. Therefore, entities with a year-end other than June 30 will have to prorate or adjust their revenue to conform to the requirements.

For purposes of determining gross revenue, no deduction is permitted for cost of goods sold or other expenses incurred, although the law does provide for some exclusions and deductions. In addition, specific rules apply for sourcing different types for gross revenue to Nevada.

What are the Tax Rates?
The Commerce Tax rates vary (ranging from 0.051% to 0.331%) depending on the industry in which the entity is primarily engaged. The tax rate is based on the entity's North American Industry Classification System ("NAICS") code. The NAICS code category is selected on the first return the entity files. Once selected, the code can only be changed by obtaining permission from the Nevada Department of Taxation.

When is the Tax Due?
The tax return and payment are due 45 days following the June 30 taxable year end. Therefore, the first Commerce Tax return and payment will be due this year on August 15. The Nevada Department of Taxation may waive penalties and/or interest for an initial return filed before February 15, 2017 if the return was filed late for good cause.

State Auditors' Expenses
One not so common provision of the law is that business entities with out-of-state records may be required to pay for audit examinations. Any business that keeps books and records outside of Nevada may be required to pay for the Nevada state auditors' expenses including an allowance provided to them when traveling outside the state.

Credit Against the Modified Business Tax
To lessen the impact of the Commerce Tax, entities are allowed a credit against the excise tax on wages paid, commonly known as the Modified Business Tax, in an amount equal to 50% of their Commerce Tax paid for the preceding taxable year.

Please note that the information provided is of a general nature and based on authorities that are subject to change. If you have any questions pertaining to the Nevada Commerce Tax, please contact the office of Kakimoto & Nagashima LLP at (310) 320-2700.♦

Questions or comments about this issue or inquiries about our newsletter by e-mail subscription service can be sent to:

newsletter@knllp.com

How Technology is Slowly Killing Us

For how much technology has made our lives and our jobs much easier than before, it has created a slow and timely death for the human population. After returning home from a long day of work at the office, do you find yourself reaching for a glass of wine to wind down and relax? Perhaps to help ease the tension in your shoulders and back. You shut your eyes for a bit, to help with the eyestrain from staring at a computer monitor for hours on end. You empty your mind, to forget the information overload that has bombarded your brain. This is a ritual done every day by many. Are you one of them?

Ergonomics

Studies have shown that people who work from digital screens for more than four consecutive hours a day are at higher risk for both short-term and chronic pain. Usually back, neck, and shoulder pain. This is attributed to bad posture stemming from slouching and looking down at a computer screen or smartphone.

Your tech may be causing some serious spinal damage. Each time you tilt your head forward to check your email or send a text, you put greater pressure on your neck. When bent at a 45-degree angle, the head places 49 pounds of pressure on the neck; a 60-degree angle equates to 60 pounds of pressure.

A study by New York spine surgeon Kenneth Hansraj explains that people spend an average of two to four hours per day with their heads bent over smartphones and electronic devices. This equals to hundreds or even thousands of hours each year of excessive stress on the spine.

Over time, bad posture will lead to increased wear and tear on your spine. For some, this can lead to potential surgery. While it's virtually impossible to even imagine a world without these technological devices, you should make a conscious effort to straighten your back as much as possible and not to slouch.

Eyestrain

When staring at a screen for long periods of time, you usually forget to blink. The habit leads to a condition called "computer vision syndrome," which leads to dry eyes, fatigue, irritation, headaches, problems focusing, or neck and shoulder pain. Also known as digital eyestrain, it has become more prevalent as people spend more time using electronic devices.

Computer vision syndrome doesn't cause lasting eye damage but it's still important to take necessary precautions. Limit the amount of time you spend in front of a screen and take frequent breaks. Keep some eye drops at your desk in case irritation starts to occur. It's also advised to use reading glasses when staring at a computer monitor for long periods of time.

Repetitive Stress Syndrome

Our hands, wrists and fingers were not meant to perform thousands of keyboard strokes or computer mouse clicks each day. Typing pages and pages of text causes undue stress on our hands and fingers. Most keyboards and mice are not configured in a way that is natural to the alignment of these appendages. By improperly contorting our hands to fit the keyboard or mouse we are causing minute stress. But hours upon hours of this stress, all day and every day builds up and can therefore eventually cause pain. It is wise to take breaks every hour to just stretch and relax our hands instead of continually pounding away at it. Try to keep your arms at an angle that places your hands below your elbow.

Short Term Memory

Technology has changed the way we pay attention to, learn, and remember information. A heavy reliance on tech can have negative effects on short-term memory. Before, we used to have to remember phone numbers and addresses. Now, with smartphones and contact lists the potential to memorize and store information in our brains is not needed. Easy access to virtually any information needed through the internet interferes with our short-term memory storage, because we can just "google it". Our brain is just like any other muscle in our body, it needs exercise too.

Inactivity

Research indicates that the amount of sitting we do is slowly killing us. Most of us already live fairly sedentary lifestyles due to our jobs -- and thanks to technology, we continue sitting when we get home. Most of the ways that we interact with technology -- watching TV, surfing the Web, playing video games -- involve sitting down.

Sitting for prolonged periods causes muscles to become stiff and contributes to poor blood circulation. Healthy cholesterol drops 20%. Sedentary behavior has been shown to lead to cardiovascular problems, type 2 diabetes, and cancer. In fact, sitting for eight to 12 hours per day boosts the risk of type 2 diabetes by 90%.

If you work a desk job, cut your risk by trying a standing desk, or by getting up and walking around for a few minutes once every half hour.

Insomnia

We're all guilty of using smartphones or tablets before hitting the hay. The problem is that these electronic devices emit blue light that tricks your brain into thinking its daytime. The bright lights coming from your smartphone can mess with your circadian rhythm. This is your internal clock that tells you when to fall asleep and when to wake up.

Every night around bedtime, the brain starts to secrete a hormone called melatonin. This signals the mind and body that it's time to sleep. Exposure to brightness for long periods at this time then tells the brain to wake up. Melatonin will stop secreting and therefore you have trouble falling asleep.

Try reading a book or magazine to wind down before going to sleep. Or, use special apps that will filter out the blue light from your smartphone for the period before going to bed.

> *"The problem with technology is that most innovations have unintended consequences, and those unintended consequences are piling up, causing harm and creating dangers of existential magnitude." says Erica Etelson.*

Although the context of this quote was for a much larger magnitude, it still applies to the topic at hand. We are slowly killing ourselves with the tech that we use every day. It has become much more important now due to the fact that our younger generation is getting addicted to tech at such an early age. Tech has become a so-called "Digital Babysitter". To keep their kids quiet on that long drive or at a restaurant, parents now-a-days hand them their smartphones or tablets to keep them occupied for long periods of time. The seeds of technology addiction have just been planted. By the time they are in their 20's, they may be fighting the same battle that we adults are fighting every day.

But it's not too late! We, as responsible adults, just need to unplug every now and then. Our next generation can follow our lead and do the same. This will hopefully promote a healthier lifestyle while living in a technology laden era.♦