Benefits Communication Can Improve Your Company’s Bottom Line

In today’s economy, a strong bottom line is more important than ever for your business. But many employers overlook an untapped resource that can drive results—benefits communication.

Why is benefits communication and education so important for your company and your employees? Employees consistently rate benefits as one of the key factors influencing their job satisfaction (second only to job security in a recent poll). To drive the bottom line, your business needs satisfied, productive employees. When you can improve the benefits communication process and its results, you stand to gain a competitive edge in retaining and recruiting quality employees.

Employers agree that understanding and appreciating the benefits they provide is important, but few think their employees actually do:

- 90 percent of employers surveyed agree it’s important to their business that employees understand and appreciate their benefits, but only 21 percent think their employees actually have a good understanding of them.²

- Nearly 5 percent of employers think their employees know nothing at all about their benefits.²

Here’s a big opportunity to close this communications gap. Find a good voluntary benefits partner who can deliver benefits communication and education to your employees. This way, you can hand over the communication responsibility and provide effective benefits communication at little to no direct cost to you. Here are some of the best practices in benefits communication:

- **Interactivity.** Today’s benefits communication and education involves more than just developing a message and delivering it. It’s about creating employee participation. Using tools such as workbooks and interactive needs analysis helps...

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Making Maryland Magnificent

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New IRS Guidance On Tangible Property Regulations

Know the rules to take advantage of opportunity to take tax deductions.

The IRS recently issued final Tangible Property Regulations to clarify the treatment of expenditures used to acquire, produce or improve tangible property. Tangible property includes materials, supplies, equipment and machinery.

Now is the time for business owners, including construction contractors, to understand and comply with the regulations, which go into effect for tax years starting January 1, 2014.

The rules are relevant to all types businesses, regardless size. If your construction business has expenses related to tangible property, these final regulations affect you.

The new rules help taxpayers understand whether an expenditure should be expensed or capitalized. Taxpayers prefer to expense as much as possible, of course, since this lowers their taxable income.

Although the final regulations retain many provisions of the temporary regulations that were issued in 2011, they are considered taxpayer-friendly because they simplify the temporary regulations by creating safe harbors for expense deductions.

Following is a brief discussion of the main changes brought about by the final regulations. Our goal is to help you gain a basic understanding of the new rules. Once you determine which aspects of the final regulations pertain to you, you’ll need a more in-depth understanding in order to apply the rules to your tax situation.

Materials and Supplies

A deduction is allowed for amounts paid to produce and acquire materials and supplies that are consumed during the year. Materials and supplies are defined to include five specific categories of property used or consumed in the business operations. The final regulations allow taxpayers to define material and supplies to include property that has an acquisition cost of $200 or less, with a useful life of 12 months or less. This is an increase from the $100 threshold in the 2011 temporary regulations. This translates into an opportunity for taxpayers to lower their taxable income.

De Minimis Safe Harbor Election

The final regulations allow a taxpayer to deduct certain limited amounts paid for tangible property that are expensed for financial accounting purposes. There are three levels financial statement assurance – audit, review and compilation – with an audit offering the greatest level of assurance. A taxpayer that has an applicable financial statement (certified audited financial statements) can deduct up to $5,000 for the cost of an item of property per invoice. For taxpayers without an applicable financial statement, the deduction is limited to $500 for the cost of an item of property per invoice.

To use the safe harbor, taxpayers must have written book policies in place at the start of the year to specify a per-item dollar amount (up to $5,000) that will be expensed for financial accounting purposes. The safe harbor is an annual irrevocable election made by including a financial statement with the taxpayer’s tax return for the year elected.

Routine Maintenance Safe Harbor

The temporary regulations issued in 2011 included a safe harbor that allows certain expenses of routine maintenance to be deducted rather than capitalized. Routine maintenance includes recurring activities that keep business property in ordinarily efficient operating condition, such as inspection, cleaning, testing, and replacement of damaged or worn parts. The taxpayer must be reasonably expected to perform the activities more than once during the property’s class life for depreciation purposes.

Under the 2011 temporary regulations, this safe harbor did not include building maintenance. The

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Engineer’s Corner

Early Construction Packages For Your Project?

In today’s marketplace, more projects are considering or requiring early construction packages, particularly as rising costs erode project budgets established well in advance of construction.

The answer to the question of whether a project will benefit from an early construction package depends to a large extent on the size of the project, the work that must be accomplished in order for construction of the main building to get under way and the method of project delivery. Assuming in broad terms a project team consists of an owner, contractor, and design team, the relative advantages and disadvantages of early packages depend on the vantage point of each stakeholder. Projects with early packages require experienced personnel from all team members with the ability to make competent decisions early in the design process based on a thorough understanding of project requirements. Since many of the items typically included in an early package would, in a more conventionally planned and executed project, be shaped by factors identified in later design phases, the design process becomes somewhat reversed. Early decisions must be accompanied by close coordination among stakeholders, combined with continual communication between the contractor and the design team and a willingness by the owner to abide by early decisions in order to minimize the expense of changing course after the results of those early decisions get “baked in” to the design and actual construction.

There are a number of advantages to one or more early construction packages, nearly all of them tied to allowing complex projects to begin earlier than otherwise might be possible if all design work needed to be complete prior to construction start. For certain building types like health care, labs and other facilities that involve complex systems, an early start may be crucial to help offset the extended design times required for these building types. If an existing facility occupying the project site needs to be gutted or demolished, an early start can prepare the way for the new building and expose unforeseeable conditions that the design process may address more proactively than if a condition is made known after design documents are complete and construction underway.

Other operations regularly incorporated into early construction packages include installation of new or relocated site utilities, road and walkway relocations and project access, geotechnical monitoring or remediation, tree protection and mass grading in preparation for building construction. Particularly on tight urban sites, it may be necessary to complete these operations early in order to provide contractors with a staging area.

Beyond site preparation, sites with complex and/or deep foundations can benefit from an early foundation package consisting of excavation, excavation support (sheeting, shoring, and underpinning), and the actual building foundations. Often the foundation package can be issued for construction soon after the design has reached Design Development, about halfway through the design process. Advance information is required from the project team for proper coordination of foundation construction. Typically foundations are designed after the loads imposed by the upper structure are known and the framing design is nearly complete. However, if an early foundation package is required, the design process may need to be reversed to some extent to allow the foundation design to be completed before all aspects of the upper levels are finalized.

A building superstructure package may be part of a larger first construction package or because it may embody mechanical, electrical and plumbing rough-ins, it may be a standalone intermediate, but nevertheless “early” package. For a structural steel project this early package allows the contractor the ability to begin work with a steel fabricator in advance of the complete design package. The building superstructure or shell package can often save weeks of time in the overall project schedule.

For all the advantages of early construction packages, potential challenges should be acknowledged. While

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**Biz Basics Q & A**

**QUESTION:** We had a customer that went into bankruptcy almost two years ago. Yesterday we received a letter from a law firm demanding we repay the money we were paid by this customer just before they filed for bankruptcy saying that our company received a “preferential transfer.” What is a “preferential transfer” and do we have to give this money back?

**ANSWER:** A “preferential transfer” refers to payments made by a bankrupt within 90 days of its filing for bankruptcy. It was thought that bankrupts make preferential payments (on the eve of bankruptcy) to preferred vendors in order to garner favor from those vendors in the future. In an effort to stop a bankrupt from favoring one creditor over another creditor Congress created the preference law as part of the Bankruptcy Code (“Code”). The preference law dictates that any payments made to creditors during the 90 days prior to the filing of a bankruptcy are automatically deemed to be “preferences” and if the creditor receiving any of these payments does not fit into an exception to the law, that creditor has to return the money. This money is then divided up among the creditors (after the professionals are paid) in accordance with the priorities established under the Code.

In every liquidation bankruptcy a trustee or committee will be appointed that will examine the bankrupt's payment ledgers to determine who was paid what during those 90 days prior to the filing. The trustee will then hire a law firm to collect these monies from the recipients of those preferential payments. Normally, the law firms will issue a form letter to all the recipients demanding the immediate repayment of whatever amounts the ledgers indicate the recipient received.

**QUESTION:** Alright, so what do we do when we get this letter from this out-of-state law firm?

**ANSWER:** Knowledge is king so you need to do your homework and you need to know the rules of this game.

1. What is the amount of the claim? If it is less than $5,000 the trustee cannot bring an action to recover the money. If the claim is less than $10,000 then the trustee can only file suit where your company is located, which may make it impractical for him or her to file the suit.

2. Your homework:

   - Pull the payment history for this customer as far back as your system allows. Focusing on the number of days between the date of invoice and the date of payment of that invoice. Pull out the copies of the checks you received from this customer during that 90 day period. Try to determine when the checks were received and deposited and then calculate the number of days between invoice and payment for payments in question.

   - Consult your counter-parts/compatriots in your business or ask trade association sources if they know what is the typical (average) amount of time it takes a customer in your company's industry to pay an invoice.

   - Classify each payment your company received during the look-back period according to the project or projects involved. In other words, classify each payment by whether it was: a bonded job, the state in which the project occurred, was it a public or private project and could the project have been liened if payment had not been made?

   - Was any additional credit extended to this customer after the payments in question were received? Is that additional credit still outstanding?

   - How much money is your company still owed by this customer?

   - Did your company file a Proof of Claim in the customer’s bankruptcy?

Amassing this information will help you determine whether your company can avail itself of the defenses provided under the preference law. If you can demonstrate the payments you received during the 90 day look-back period were made within the same time frame as most of the other payments your company received from this customer in prior transactions or that these payments were made within the standard time frame for your industry as a whole, then you can

**Continued On Page 21**
Product Profile

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How will revenue recognition changes affect your organization? This question has been causing excitement, anxiety, and confusion across all industries – especially the construction industry.

Leading up to the release of the new standard, there were many myths and assumptions circling the accounting profession regarding the changes that the new standard would reveal. Will we have to completely change our recognition method or mentality? Will we have difficulty implementing the new standards? How soon will we have to change? Let’s explore some common myths to determine if they are true or false.

**Myth:** Revenue will no longer be measured using the percentage of completion method.
**False:** While careful assessment will need to be made, it is likely that revenue recognition will be the same or similar to current methods.

**Myth:** The cost-to-cost method for assessing revenue recognition on contracts can still be used.
**True:** A method for recognizing revenue, as control is transferred, needs to be established if a performance obligation is determined to be “satisfied over time.” Cost-to-cost is an example of an input method that may be utilized.

**Myth:** All contracts will have multiple performance obligations, requiring separate revenue recognition consideration.
**False:** Although your contract may have different aspects (i.e. design and build), it is likely that the services will be considered as a bundle. Judgment and assessment will be necessary. Ask yourself the following: are these goods/services highly dependent on other goods/services within the contract? Does the contract provide for the services to be integrated? Does the good/service significantly modify another good/service in the contract? A positive response to these questions indicates a single performance obligation.

**Myth:** The new standard will cause my financial statements to look different.
**True:** The standard will likely cause expanded footnote disclosures, both qualitative and quantitative information. In addition, earnings and costs in excess of billings on the face of the balance sheet will now be referred to as contract assets and liabilities.

**Myth:** The new revenue standard will be difficult to apply to existing contracts.
**False:** The new standard goes into effect for nonpublic entities for reporting periods beginning after December 15, 2017. Early adoption is permitted; however, no earlier than periods beginning after December 15, 2016. At the time of adoption, organizations can choose to adopt retrospectively or using a simplified approach. The simplified approach must be disclosed within the financial statements and will entail a three step process.

Although your organization may not experience significant changes, consideration and judgment needs to be given to the new revenue recognition standard. For further implementation guidance please contact your MKS&H representative.

Jennifer Barrett
MKS&H Audit Senior

About MKS&H: McLean, Koehler, Sparks & Hammond (MKS&H) is a professional service firm with offices in Hunt Valley and Frederick. MKS&H helps owners and organizational leaders become more successful by advising them regarding their financial, technology and human capital management needs.

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**What Is The TRUE Cost Of An Employee Injury?**

Every contractor assumes a level of risk for the safety of their employees and subcontractors. There are many factors that need to be included in any TRUE calculation of the cost of an employee injury. It is important to have an understanding of all of the factors that are included in this cost, as they all have a potential to impact your company’s profitability.

For the majority of contractors in the Maryland Construction Network, workers’ compensation is obtained through an agent and carrier. This coverage is guaranteed cost subject to the payroll estimates and all of the risk for compensable claims is assumed by the insurance carrier. It is a very simple contract – you pay a premium and the carrier pays for any claims. There are no deductibles, limits, or exclusions.

On the surface, every year you pay premium and your cost is limited to that premium. Unfortunately, there are a lot more things to include in the total cost:

**Productivity**

Insurance pays for medical and lost time but does not reimburse the employer for the cost of replacing an employee who is out-of-work or limited due to injury or illness. It also does not cover the loss of the efficiency, accuracy, and quality of work not performed by an injured employee. If your best estimator is out of work due to an injury sustained in a work related accident, what is the impact on your business? You may not win work as your bid is too high or you may win unprofitable work if your bid is too low. A great employee carries a high value and an injury to that employee can impact the company much greater than a premium number.

**Limitation or Loss of Work**

Many contracts and bid qualifications now contain provisions mandating a contractor doing work have an Experience Modification Factor under a certain number and/or an Injury Rate Calculation under a certain number. Both of these impact the TRUE cost of an employee injury. The Experience Modification Factor uses classification codes, states and payroll amounts that the carriers report. There are also other factors, including severity of each claim, which also impact the factor. The information used comes from three years data not including the most recent year. Adverse claims experience can result in an Experience Modification Factor that does not allow you to work on certain jobs. The Injury Rate Calculation comes from the OSHA log and is typically compared to an industry average. The same loss or limitation of work can occur if you Injury Rate exceeds the qualification requirement.

**Regulatory Fines and Penalties**

OSHA/MOSH fines and penalties are not insurable. These are costs directly out of a contractor’s operating funds. They are not going to be budgeted and expected costs (we hope!) but, if incurred, would be a direct hit on profits. Any fines or penalties tied to an employee injury have to be included in the TRUE cost of that claim.

**Public Relations**

In the news business they say “if it bleeds it leads”. If your company has the unfortunate fate to have an employee injury or death picked up by the local media, be prepared for any negative reaction it creates. It will attract people trying to benefit from that incident, as well as potentially send out a negative image to current and prospective owners, general contractors, subcontractors, and insurance carriers. There is a cost to erase a negative image, even if that image is distorted or completely false.

**Administrative**

When you have an employee injury, there is time and effort required to report the claim, complete the OSHA log and First Report of Injury, deal with the broker, carrier, adjustor, and injured employee. There is an incident report to complete, and accident investigation that may be needed, and perhaps training so it does not
The Patient Protection and Affordable Care Act (“ACA”) requires covered employers to offer affordable and qualified health care coverage to eligible employees or pay a penalty. Some small contracting companies, of course, are not covered by the ACA. However, construction contractors that employ more than a handful of employees, or who have related companies that, when combined, employ more than a handful of employees should undertake a careful analysis of their potential obligations and exposure.

The first complex issue that must be addressed under the ACA is whether an employer is covered by the ACA, which applies to all employers that have 50 or more full-time and full-time equivalent employees. This is not as straightforward as it sounds because “full-time” is defined by the ACA as working, on average, 30 or more hours a week. It is important to note that when calculating the number of hours worked by an employee during a given time period, paid time off – as well as certain unpaid time off such as FMLA leave – must be counted as hours worked. Thus, an unpaid lunch break is not work time, but a paid lunch break is. While employers are free to continue to define full-time as 40 hours a week to determine an employee’s eligibility for retirement plan participation, leave accrual, and other kinds of employee benefits, for purposes of the ACA, employees who work 30 or more hours are considered full-time.

In addition, employers may not ignore their part-time workers when determining whether they are a covered employer with 50 or more full-time employees. The hours of all part-time employees must be added together and divided by 30 to determine the number of full-time equivalents. This means that two employees who regularly work 15 hours each week would be counted as one full-time equivalent employee. Thus, an employer that employs 35 employees who work 30 or more hours a week, and also employs part-time workers who work, on average, another 600 hours a week would be considered a large employer covered by the ACA because it employs 55 full-time and full-time equivalent employees. Moreover, employers should be aware that the employees of any related companies – such as parents, subsidiaries or sister companies – often must be counted in the employer’s calculation of the number of full-time and full-time equivalent employees. There are also very complex rules about whether seasonal employees must be included in the calculation.

The next issue pertains to which employees must be offered health insurance coverage. Covered employers must offer health insurance to all full-time employees and their dependents within the first 90 days of employment. While part-time employee hours are counted for purposes of determining whether an employer has 50 or more full-time and full-time equivalent employees, an employer need not offer coverage to part-time employees (those working less than 30 hours a week).

Determining a particular employee’s eligibility for health coverage, however, can be a challenge in the construction industry because of fluctuations in work and employee schedules. In contrast to businesses where employees are often hired to work a fixed, regular schedule, anticipating the hours that are likely to be worked by employees in the construction industry can be difficult. While the precise analysis is too complicated to explain here, employers should know that the hours worked by part-time employees who are not offered coverage must be reviewed on a historical basis. An employer must choose a “measurement period” or “look back period” of between 3 and 12 months and then evaluate whether an individual who was treated as a part-time employee (and was not offered health insurance) actually worked 30 or more hours, on average, during the measurement or look back period. If the employee did average 30 or more hours, the employer must offer health insurance coverage prospectively to the employee during what is called the “stability period,” a period of time which must extend at least 6 months and be at least as long as the employer’s chosen measurement or look back period. This offer of coverage is guaranteed to the
Temporary heating devices are a vital part of being able to work effectively in cold weather. They allow temperature-critical work to continue on schedule, and provide for more comfortable working conditions for the workers. However, as a result of poor selection and careless use of portable heaters, injuries and damaging fires occur every year. In recent years, multiple large fires have occurred at construction projects due to improper usage of temporary heating devices.

If improperly used, temporary heating equipment can lead to burns, fires, explosion, carbon monoxide poisoning, and the creation of oxygen deficient atmospheres. So, with the winter season upon us, it’s important to review the many types of temporary heating devices that are available, and be sure they are used safely.

Temporary heat units can be fired either directly or indirectly. They can be electric or fueled by a source, most commonly Liquefied Petroleum Gas (propane). Before using any temporary heating device, make certain it is approved for the environment in which you plan to use it. Ask these questions:

1. Is the unit approved for direct contact with wooden floors?
2. Does it consume oxygen?
3. Does it radiate heat or force heated air across the room?

The manufacturer’s specifications will explain how and where the heater may be safely used.

Always follow safety guidelines: The most important instructions will be found on the side of the heating unit, though instructions will not be the same for all equipment. What was safe to use in one location may not be so in another. Remember the old saying, “When in doubt, read the instructions.”? This is critical advice when using heating equipment, to avoid creating a hazard.

Other important tips:

- Every heating unit, must have a fire extinguisher immediately available. The fire extinguisher should be placed in an area that is accessible and available to put out an incipient stage fire.
- Never place a heater on a directly on a wood surface. Make sure to use some sort of fire barrier if needed to be used on a wood floor.
- Never leave an operating heater unattended during non-working hours.
- The use of temporary heaters in confined spaces is never recommended, however if they are used, sufficient ventilation and temperature control must be provided.
- Allow the heater to cool down before it is re-fueled.
- Always turn off the gas supply when the heater is not in-use.
- Never store used or extra LP cylinders inside of any building. Only those in use should be allowed inside.
- Temporary heaters should be placed at least six feet away from the LP cylinder and not fired toward the container, unless the heater is an approved integrated unit.
- Never manifold more than three 100 pound LPG cylinders together.
- LP cylinders must be secured in the upright position and protected from damage.

Never use LP below grade level: Be aware that gases such as propane are heavier-than-air, and will settle into any low spots, such as a basement. If there is no way for them to exit, a spark or flame can ignite and explode the concentration of gas, causing great damage and injuries.

Temporary heaters are great tools, allowing work to continue in cold and damp weather. But remember, they can be dangerous. Learn how to operate them, and don't take them for granted.

For additional questions or further information, please contact SFI Compliance, Inc. at 202-417-3923 or customerservice@sficompliance.com.

Dan Johnson, CSP
Meet & Greet

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create true engagement and participation.

- **One-to-One Support.** A one-size-fits-all approach to benefits communication no longer works. Insurance is complex, and relying on self-education or technology alone isn’t realistic. Having access to a trained benefits specialist who personalizes the decision-making experience for employees can create real satisfaction. Employees appreciate having someone help them understand all the terminology and choices, as well as give them the confidence they need to make good decisions for their families.

- **Convenience.** Providing tools to give access to employees throughout the year, not just at annual enrollment, is important. The use of corporate portals, for example, has become increasingly popular, giving workers easy, 24/7 access to a wide range of web-based benefits information they can use year-round at their convenience.

- **Multiple Employee Touch Points.** Give employees multiple options to enhance benefits communication. Some basic methods you should offer include one-to-one meetings, group meetings and Internet or self-enroll methods. Other ideas to supplement these methods are: online resources, printed benefits booklets, printed enrollment guides and interactive multimedia tools.

- **Year-round Communication.** No one’s life is static, and benefits communication shouldn’t be either. Think about your new employees and employees who experience life changes throughout the year, such as marriage, retirement or the birth of a child. You need a way to keep up the communications efforts year-round.

With the right voluntary benefits partner and enrollment strategy, you can implement a strong benefits communication and education program that will help you realize competitive advantages.


1 2008 SHRM Job Satisfaction Survey, Society for Human Resource Management


**V. Scott Gardner**  
District Manager, Frederick, MD  
Colonial Life & Accident Insurance Company

V. Scott Gardner is a District Manager for Colonial Life. A veteran of more than 20 years in the insurance and benefits industry Gardner is responsible for marketing Colonial Life’s products, programs and services in the Maryland area.

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For more information about Colonial Life’s products and services or opportunities with the company, call Scott Gardner at 301-829-4795 or visit [www.ColonialLife.com](http://www.ColonialLife.com).

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The Formwork Experts.
final regulations expanded the safe harbor to include buildings. For a building structure or system, the taxpayer must reasonably expect to perform the maintenance more than once during the 10-year period that begins when the structure or system is placed in service.

**Small Taxpayers’ Building Improvements**

The final regulations added a new safe harbor that allows qualifying small taxpayers to deduct improvements made to a building with an unadjusted basis of $1 million or less. A small taxpayer is one that has average annual gross receipts of $10 million or less in the three preceding tax years.

This safe harbor applies only if the total amount paid during the tax year for repairs, maintenance and improvements to the building doesn’t exceed the lesser of $10,000 or 2% of the building’s unadjusted basis.

The safe harbor can be elected annually on a building-by-building basis by including an irrevocable election on the taxpayer’s federal tax return for year the costs are incurred.

**Need Help?**

These long-awaited final regulations provide most businesses with tax-saving opportunities. In order to take advantage of the possible benefits, taxpayers need to understand and apply them correctly. Now is the time to make sure you are taking full advantage of the new rules.

If you are unsure whether your construction company is affected, or have questions about what you need to do to comply, contact Scott Handwerger of Gross Mendeslohn’s tax department at 410.685.5512 or shandwerger@gma-cpa.com.

“Goals are the fuel in the furnace of achievement.”

~ Brian Tracy
Are You Ready To Sell Your Business?

While still somewhat mixed we finally have an improving construction economy that is beginning to facilitate business sales and other ownership transitions. Currently, we find ourselves talking to many construction company owners about their business value and their exit plans. The timing of a transfer, what the transfer will look like, and how much money (and taxes) is at stake are becoming real questions for many owners.

Let’s take a few minutes and review the basics that if followed by owners of construction companies will shorten the sales process, simplify negotiations, and increase the eventual price.

1. Make sure you are profitable. Buyers PAY for recent historic and pipelined future results. Potential is a dirty word unless that potential is producing now.

2. Review your legal affairs and make sure they are in order. Make sure contracts and agreements are clear, reasonable, and if possible transferable. Make sure real estate leases have time left if the location is essential. Settle any lawsuits if possible. Any perception of risk on the part of the buyer is addressed with a price reduction or no offer. This means clean up all messes before buyer due diligence.

3. Make sure financial statements are clear, consistent, and if possible reviewed or audited.

4. Prepare reasonable projections and plans for the foreseeable future. Address how relationships and revenues will grow during the transition. The best of plans have no transferable value if they are only in your head.

5. Obtain an honest assessment of the business value and likely transaction terms that will be required. Seller’s holding debt, forward looking earn-outs and other methods of sharing risk are the norm and should be expected in today’s environment. Get comfortable with this so when the right offer comes along you can negotiate an advantageous deal while the buyer is still emotionally involved. Once detailed negotiations start time is rarely a seller’s friend.

6. Understand what third party approvals will be required. We recently closed a transaction that required 20 contract assignments. Miracles do happen but preparation and footwork is even better.

7. Every business has “hair” or problems. Do not hide your problems. Address them properly and early. If they are found during due diligence credibility will be lost. If positioned correctly sometimes hair can even become opportunities for future growth.

8. Make sure the non-binding term sheet addresses all key deal terms prior to your signature. As seller you will typically agree to a lock-up period prohibiting your talking to other suitors reducing your leverage. Make sure you have the best deal possible before taking that necessary step.

Overall proper basic planning and preparation will increase the value of your contracting business and reduce the uncertainty during the sale / transition process.

Gregory Caruso, Esquire, CPA, CVA is a Principal at Harvest Business Advisors in Columbia, Maryland. He has 35 years’ experience in construction, business valuation, and business brokerage. He regularly works with contractors, sub-contractors, engineers, and other construction related firms on business valuation, succession, and business brokerage matters. www.harvestbusiness.com, gcaruso@harvestbusiness.com, 410-507-5441.

Opportunities are on every hand; what we need is, not a new chance, but clearness of vision to discern the chance which at this very hour is ours, if we recognize it.

~ Katherine Krieger
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- Reduce the number of checks cut³
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¹. The Corporate Membership Rewards program is for eligible Commercial Card Clients. Terms, conditions and restrictions apply; for a copy or for more details, call 1-888-860-8564.
². Actual float time will vary based on the date of the charge, the billing cycle cut-off date and the payment date.
³. The number of checks cut will be reduced based on converting suppliers to card payments.

For more information on this effective and efficient member benefit, contact MCN’s Verna Bagley at 443-962-7329 or at vernabagley@constructionnet.net.
significant time may be taken off the end of the project schedule by beginning construction operations earlier, quite frequently that is offset to some extent by the time required to work through more complex design and permit approval processes. Depending on the contents of the early package, each phase may need to be set up, reviewed, and approved as a “mini-project”. This is particularly true of grading, sediment control and stormwater management approvals. Time gained by seeking approval for the limited scope of an early package may be lost again by having to go through the full review and approval process for each mini-project.

Further, from a design consultant’s standpoint early packages add considerable complexity to the design process and to the production of the design documents. The multiple drawing sets required to separate the overall construction into discrete packages begets a need to determine exactly what features and work belong in which set of drawings. The BIM/CAD programs most commonly used today are not terribly good at dealing with multiple phases in a single project. To be sure, there are features built into the software that attempt to address this and ways to set up projects to produce deliverables in separate phases, but because every project is unique, the out-of-the-box features frequently fall short, and designers have to develop workarounds. This is particularly the case when the need arises to properly display temporary features that will be constructed and removed in early phases as distinguished from permanent features. As the design process comes to a close, the early construction package work is completed, and the main part of the project is well underway, owners usually desire “conformed” documents that integrate all the project phases into a single set of drawings. Depending on the methods used to produce the separate packages, integrating them into a conformed set requires time and clarity. For these reasons, the increased time required to set up, manage, and deliver multiple document packages using BIM/CAD processes may translate to higher design fees.

Lastly, project teams, and particularly owners, need to assess the potential risks associated with early construction packages. In general, the risks and disadvantages born of increased complexity multiply as more scope is added to an early package. Since it is, at best, difficult and expensive to reconfigure pre-installed work, each additional feature or construction operation requires coordination among other facets of the project as the design contained in the later packages is produced. Later phases must completely coordinate with constructed early package work and it is important to integrate contractor as-built information into the plans. A package or set of packages that includes new building electrical and plumbing rough-ins obviously requires a great deal more front and back end coordination than an early package consisting only of demolition and site preparation. This may limit design flexibility. Another perhaps less apparent risk is that projected costs for later packages may exceed the project budget, but after early package construction is in place and the associated funds have been expended there is no longer an opportunity to value engineer the in-place construction leaving only the unbuilt features open for cost reductions. In the end, this may lead to desired project features being eliminated forever or left for a future time when finances permit them to be incorporated into the project.

In the end, each project and every project team is unique. Even corporations that have one or a small hand full of standard building designs adaptable to most common situations find that the site and building permit approval processes required at any given location do not match others. The whole project and all its requirements need to be understood by the entire project team in order for a decision to be made about the scope and merits of an early construction package.

Site Resources is celebrating 20 years of providing land planning and site design services for clients throughout the region. We intentionally integrate the disciplines of landscape architecture and civil engineering to design functional and pleasing sites, with construction documents for all project delivery methods, including early packages for complex projects such as the Health Sciences Facility III at University of Maryland, Baltimore and the Edward St. John Learning Center currently under construction at University of Maryland, College Park.
LinkedIn And MCN
A Great Partnership

As part of the Maryland Construction Network you have the opportunity to meet, connect, network and learn from others in your industry (think referral sources and strategic partners) and by those companies whose services you need to run your business (think the people who make your company stronger i.e. accountants, bankers, marketers, recruiters). You show up at an MCN event knowing you have the opportunity to reconnect, catch up, learn, and meet these people.

MCN is the in-person, high-touch way of connecting. And, from my vantage point, MCN has done a great job bringing the Maryland construction industry together. In-person, high-touch networking over a beer (or two) is the best kind of networking. It just works, always has and always will.

I attended a MCN event last summer and met a relationship manager from a regional bank. We struck up a conversation, I asked a few questions (I haven't been particularly pleased with my current bank), turns out she had some insight on why I was frustrated with my current bank and then casually mentioned how they were different. In all, it was a short conversation and when she sent me a LinkedIn invitation a couple of days later, I looked at her LinkedIn profile, saw how we were connected, noticed her experience and immediately accepted. We corresponded, I noticed she read some of the content I posted, she kept in touch and was understanding when I told her I wasn’t ready to talk just yet. I knew she was a couple of clicks away, part of my go-to LinkedIn network and easy to access when I was ready for a more serious conversation.

At the beginning of January she reached out to let me know she had heard one of my colleagues present and asked me how I was doing. It was a simple, quick message, no sales pitch. Finally, I was ready to talk. Her quick message prompted a meeting. The takeaway? Meet, connect, start a conversation and stay in touch. How? LinkedIn.

Here are 5 ways MCN’s LinkedIn Group makes you more networked and successful.

MCN’s LinkedIn Group continues to grow. If you’re not a member, join and participate in the MCN LinkedIn Group. As of this writing there are more than 680 members and more than 39% of this Group are senior leadership (think decision maker).

The single best part of LinkedIn Groups? They give you access without needing to connect. So, for those of you who want to keep your LinkedIn Connections limited to trusted advisors Groups give you the best of both worlds. Access and integrity within your network.

- Are you hiring?
- Post your position to the Job Discussion tab (there is no cost to do this)
- Do you have a question about the construction industry?
- Need a recommendation for a subcontractor?
• Need a new supplier?
  • Ask the the Group for a recommendation (one of our clients had three salespeople recommended from a question in a Group
  • Reach out to any of the fellow members of the Group and ask them for a recommendation
• Do you have particular expertise you want to share?
• Are you wrestling with a problem or question?
  • Start a discussion in the Group, just ask a question just like you would via email, in-person or on the phone
  • Post an article that informs others in your industry.
  • Post and share one of MCN’s podcast links

Keep the conversation going between MCN events with key people inside and outside of the construction industry. When you are top of mind, a part of the conversation, and in the know, new opportunities emerge. 2015 is not the time to be under the radar, it’s the time to put your best people and company forward and build business relationships that result in the best new hires and new projects.

Colleen McKenna, Principal of Intero Advisory, helps individuals and companies navigate LinkedIn for business development, recruiting and branding. Over the last 3+ years she and her team have worked with more than 6500 professionals in a wide range of industries. Visit her LinkedIn profile to learn more about her and Intero Advisory.

New Project Lead Tool

Just updated in the Mid-Atlantic, a powerful new project lead search engine that delivers the project leads you want, from the decision makers you want to work for -- and the ability to pinpoint the critical information you need! Save time looking for the projects you want and keep the ones you want easily within your sights -- every time with the ability to capture and save your specific project scope! Start your day with a cup of coffee and the critical information you need with BidScope’s daily updates on the projects you are tracking – on your smartphone or iPad. Make smarter decisions and build more competitive bids with powerful access to digital plans and specs and all the critical information they contain. Follow up and connect with the people you want to do business with by taking advantage of available accurate and complete information on decision-makers for every project.

For additional information, please contact Shelly Masone, Mid-Atlantic Area Manager, The Blue Book Network, 443.534.6276 or visit www.bidscope.com.

Continued From Page 8

Defend Yourself:
How To Fight Against Customers Who File Bankruptcy
April 8, 2015

Contractors need to consider all of the costs (direct and indirect) for an injury or illness to an employee that is work related. The TRUE cost of an injury to your employee can be significantly more than a premium amount.

Richard Shaw, CPCU, ARM
Senior Client Executive
RCM&D
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(410) 427-6429 ext. 1429
Investment Fees: What Am I Actually Paying?

Most clients wonder, some ask, but straight answers from your Financial Advisor may be a rare commodity. That stops today. Let's talk fees. Where are they hidden in investments? What does this mean for you as a client? What does this mean for your Financial Advisor? It's time to avail the truth so you can make prudent investment decisions for you and your family.

As we dive into this often imperceptible topic of fees, how they are assessed and how much a Financial Advisor (FA) makes, the answer often depends on how a Financial Advisor decides to earn a living. While some firms may have specific rules, an FA typically has the power and authority to decide how clients pay them. A Financial Advisor can be transactional in nature, fee-based or fee-only. While there are many nuances, benefits and possible drawbacks of each arrangement, let's just stick to the topic of fees.

A Transactional Advisor, as the name implies, gets paid when clients make a transaction. This usually occurs at the time a client makes a purchase, but may also occur at the time of sale (as in a stock sale.) Transactional Advisors may (and most likely) earn an annual trail on Mutual Fund investments that are held in the account. Have your ears perked up? I hope so! It is imperative that you are aware of this detail which may be left out of the conversation. The moral of the Transactional Advisor story: you are paying fees. If they are not clear, as a commission in a stock transaction, the fees are wrapped into your internal investment expenses and in bond spreads when you purchase a bond. Do your homework and research expenses / expense ratios.

(As much as I detest deviation, I would be remiss if I didn't stress the extreme importance of researching fees (also known as the expense ratio) when considering the purchase of ANY annuity and in reviewing your current annuities where total ANNUAL fees often surpass 3.0% and Financial Advisors have the opportunity to earn large upfront commissions. Now, let's get back on track…)

Fee-Only and Fee-Based Financial Advisors have chosen a different method in how clients pay for their value. They are typically not transactional in nature, but rather earn a fee which is a percentage of assets managed. For example, if the fee is 1.0%, a client will pay .25% quarterly based upon the account value at the end of the quarter. One suggestion in considering a Fee Advisor: inquire as to what share class of mutual funds are being utilized and if the “annual trails” / expenses are paid to the advisor or reduce your management fee. As Fee-Based / Fee Only Financial Advisors often pontificate transparency, I encourage you to just dig a little deeper.

To summarize, you are paying fees – even if you do not see them. They are hidden in expense ratios and possibly in bond spreads at time of purchase. Fees (not a company salary) typically are how Financial Advisors earn a living. Financial Advisors depend on you, the client, to pay for the value they bring to the table. As a client, what you pay in fees reduces your performance. Assess the value which your Financial Advisor is providing and demand transparency.

As always, I am here to help.

Lauren Rebbel
CERTIFIED FINANCIAL PLANNER™
The Prosperity Consulting Group, LLC
410-363-7211

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Member FINRA, SIPC. Advisory Services offered through The Prosperity Consulting Group, LLC. The Prosperity Consulting Group, LLC is not affiliated with Triad Advisors.
avail yourself of the preference defense called “payments received in the ordinary course of business.”

In addition to the “payments received in the ordinary course of business” defense, there is a second defense known generally as the “new value” defense. The new value defense permits a creditor that received money from the debtor during the preference period to offset those payments with any credit it extended to the debtor after the preferential payments were received. In other words, if your company received a payment of $10,000 during the look-back period, but after receipt, it extended another $12,000 of credit to the debtor, then usually you can offset the $10,000 with the $12,000 credit.

Another defense, that is unique to the construction industry in preference litigation, involves the bond, lien and trust fund rights your company may hold with regard to the payments it received. If the work your company performed or materials it provided relating to the payments in question were potentially subject to a trust fund, bond or lien claim if the debtor had not paid you, then there are arguments you can make to negate the trustee's preference claim.

While preference law is very confusing, what is not confusing is the fact that you should not ignore any communications you receive from the bankruptcy trustee, committee or their attorneys. To do so, puts your company at risk of having a judgment entered against it for the full amount of the claim. Recognize that you are in better position than most creditors to fight preferences and that taking a proactive stance against a claim will almost certainly result in a better outcome.

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Doug is a principal at the law firm of Offit Kurman, P.A. where he specializes in construction, creditor’s rights and bankruptcy law in Maryland and DC. Offit Kurman is a full service law firm with offices throughout the Mid-Atlantic region.
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Recent Law Promotes Training For Skilled Construction Workers

The signing into law of the Workforce Innovation and Opportunity Act (WIOA) this past July didn’t garner many headlines. But the act’s potential impact on the construction industry is indeed newsworthy. Although it pertains to many industries, the WIOA represents a chance to do something about the skilled labor shortage that’s been plaguing contractors for years.

Purpose and objectives

The law’s purpose is to consolidate and enhance a wide variety of federally run job-training programs. Each of these programs must track and report the number of participants who ultimately find jobs. So there’s an underlying effort not only to provide training, but also to identify the most effective approaches.

On a state and local level, the WIOA aims to create smaller, more agile and strategically effective workforce development boards. The boards can focus job-training programs on regional needs, such as infrastructure improvements or housing development, that drive construction projects.

The act’s objective is also to support education and workforce development opportunities in the real world — not just the classroom. Some WIOA programs will look to establish on-the-job training while also helping businesses identify in-demand skills and avail workers of opportunities to build those skills.

Certain underemployed populations are targeted by the act as well. Youth program services will look to recruit and train not only young people who are in high school, but also those who aren’t regularly attending classes or have formally dropped out. In addition, programs will try to connect people with disabilities to appropriate programs and, ultimately, competitive, integrated employment.

Industry impact

Upon the act’s signing, the Vice President of Government Affairs for the Associated Builders and Contractors said, “WIOA is an important step toward addressing the shortage of qualified workers in the construction industry.”

Indeed, according to employment projections for 2012 to 2022 by the Bureau of Labor Statistics (BLS), construction businesses may eventually face a shortfall of 1.6 million workers. Per the same BLS study, five of the 30 occupations projected to have the largest percentage increase in growth during that period are construction-related. In addition, the BLS expects jobs that generally call for an apprenticeship — which include many construction positions — to grow 22.2% in those years.

This may sound like bad news, but it’s not entirely. The need for these workers is driven by something quite positive: construction industry growth. The BLS projects the construction sector will continue to grow at a rate exceeding twice that for all other industries measured. Contractors prepared for this growth can put themselves in a position to take strategic advantage of it.

Prime opportunity

The passage of the WIOA represents a prime opportunity for your construction company and hundreds of others like it. By getting involved with a job-training program and promoting awareness of such programs, you can help boost the ranks of tomorrow’s skilled workforce. In turn, you’ll ensure that your business will have the expertise needed to operate successfully and profitably, while the national economy benefits from a stronger rate of employment.

Rivka Bier, CPA, MST is a manager at Hertzbach & Company, P.A. in Owings Mills, Maryland, Rockville, Maryland and Arlington, Virginia. She can be reached at (410) 363-3200 or by emailing rbier@hertzbach.com.
Maryland Construction Network

Direct Connect® Networking &
“Where’s The Work” Economic Forecast
Thursday, March 26th, 2015

Networking Builds Relationships.
Relationships Build Businesses.
Maryland Construction Network
Helps You To
Make Connections Now!

Thursday, March 26th, 2015
Program Registration: 3:00 – 3:30 p.m.
Seminar*: 3:30 - 5:30 p.m.
Direct Connect: 5:30 – 7:30 p.m.

Dutch's Daughter
581 Himes Avenue
Frederick, MD 21703

$50 Members / $60 Non Members: Early Registration.
*Forecast is free of charge with your paid DC registration.

Maryland Construction Network (MCN), the forward-thinking organization;
in-step and in-touch with the entire construction industry wishes to thank the following companies for their support of this event!

Our Industry . . . Connected!

Our Speakers: “Where’s The Work” Economic Forecast & Direct Connect Networking

Helen Propheter – Manager of Economic Development Frederick County
Richard Griffin – Director of Economic Development – City of Frederick
Elizabeth Pasierb – Supervisor of Facilities Planning, Facilities Service Division – Frederick County Public Schools
Steve Starmer – Purchasing Manager – Frederick County Public Schools
Vernon Thompson, Executive Vice President, Business Development – Howard County

Go to http://www.mdconstructionnet.net/?p=6831 for more information.

Event Host:

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Our Industry . . . Connected!
employee and his or her dependents, even if it is certain that the employee will not be working 30 or more hours, during the stability period, although employees who fail to work 30 or more hours during the stability period would ultimately lose coverage under the ACA (but probably be entitled to continued coverage at the employee’s expense under COBRA) following the end of the stability period (for the next stability period). The result is that employees may be cycling on and off an employer’s health insurance plan, being entitled to ACA coverage for themselves and their dependents during some periods and being offered COBRA for other periods when they lose coverage because of a reduction in their hours of work.

The third important issue for employers relates to the penalties imposed on employers who fail to comply with the ACA’s requirements that they offer eligible employees and their dependents health care coverage and that coverage is (1) affordable and (2) of minimum value. Minimum value is a defined phrase under the ACA, and health insurers and brokers should be of assistance in ensuring that a particular health insurance plan offers “minimum value.” Determining affordability, on the other hand, is more difficult and is evaluated pursuant to a formula that weighs the employee’s share of the cost of the individual’s offered health care coverage (not the cost of family coverage even if coverage must be offered to the employee’s dependents) versus the employee’s annual household income. Since affordability is based on income, what is “affordable” for some employees may not be “affordable” for others.

Penalties imposed for noncompliance are significant. First, a covered employer must offer health care coverage to at least 95% of its full-time (30 hour a week or more) employees and dependents. (The applicable percentage is 70% in 2015). If the employer (1) fails to offer such coverage, for example by offering coverage to none of its full-time employees or by providing coverage to only 94% of its full-time employees in 2016, and (2) if a full-time employee obtains premium tax credit by obtaining coverage on an insurance exchange, the employer will be charged a penalty equal to $2,000 multiplied by the number of its full-time employees (minus up to 80 employees in 2015 and 30 employees in 2015).

The second potential penalty is imposed on covered employers that offer health insurance coverage, but not coverage that is (1) of “minimum value” and (2) “affordable.” For example, if a full-time employee is offered unaffordable coverage and receives a premium tax credit for coverage purchased through an exchange, the employer is subject to a penalty. This penalty is calculated by multiplying the number of full-time employees who received a premium tax credit (and unaffordable coverage) by $3,000 (if penalized for an entire year). Note that this penalty is capped at the amount the penalty would have been had the employer never offered coverage at all.

The issues under the Affordable Care Act are quite complicated and nuanced, and this article should not be construed as providing legal advice. For more information on how the Affordable Care Act applies to your business, please contact Sharon Snyder and Kathleen McGinley of Ober|Kaler’s Employment Group. The Maryland Construction Network also has a podcast by Kathy and Sharon in which they further discuss ACA issues for employers.
Coming Soon

Thursday, March 26th – Direct Connect

Direct Connect & “Where’s The Work” Presentation
Dutch’s Daughter
581 Himes Avenue
Frederick, MD 21703
3:00 – 7:30 p.m.
Event Host: Print-O-Stat

Tuesday, March 31st

MCN Executive Forum
The Ashland Cafe
10810 York Road
Cockeysville, MD 21030
8:00 - 11:45 a.m.
Sponsors: Allan Hirsch Advisors & MCN

Wednesday, April 8th – Educational Seminar

Defend Yourself: How To Fight Against Customers Who File Bankruptcy
Eggspectations
6010 University Boulevard
Ellicott City, MD 21043
8:00 – 10:30 a.m.
Sponsor: Offit|Kurman

Thursday, April 23rd – Educational Seminar

Exit Planning Strategies: How To Get Real Value For Your Construction Company
The Ashland Cafe
10810 York Road
Cockeysville, MD 21030
8:00 – 10:30 a.m.
Sponsor: Gross Mendelsohn

Tuesday, May 5th – Direct Connect - SAVE THE DATE!

Direct Connect & Sav-A-Tree Presentation
Sunset Cove
3408 Red Rose Farm Rd
Baltimore, MD 21220
3:30 – 7:30 p.m.
Host: Sav-A-Tree
Sponsor: ARC Document Solutions, American Core Drilling & Sawing, Construction Labor Contractors, Rommel Cranston Construction

Help Wanted

Maryland Construction Network's website Opportunities Tab has had a number of job opportunities listed in the past month. For more information on the positions listed below, as well as others, please visit http://www.mdconstructionnet.net/opportunities/job-ops/help-wanted/.

1. Financial Controller/Construction Accounting Specialist
2. Mechanical Systems Manager
3. Lawn Care Technician/Sales
4. Maintenance Foreman/Supervisor
5. Senior Project Manager – Ground Up
6. Commercial Construction Business Manager
7. Commercial Construction – Safety Manager
8. Graphic Designer/Signage
9. Commercial Construction – Project Manager
10. Construction Administrative Assistant (Procurement)
11. Assistant Project Manager/Estimating Assistant
12. Bookeeper / Accounting

As a member of MCN, your firm can post your help wanted ads on our job board at no additional cost to your company. It is simply another free service members of MCN enjoy!

You can also post bid opportunities, or surplus items, you have for sale. Click on the “Opportunities” tab on the MCN website - www.mdconstructionnet.net.

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