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Tax Filing Begins!

Letter from the Editor

Ehtesham Haque is the Chief Executive Officer of Sagenext Infotech and one of the Directors of The Sagenext Group. As a leader, he has been heralding Sagenext's transition into an all-round IT hosting company, pushing its cloud infrastructure and hosting solutions to counteract the mounting demand of CPAs, accounting professionals and small and mid-sized businesses across the world.

Dear Readers,

While scrolling through the internet a few days ago, the term ‘Data Colonization’ caught my attention. Up until now, we have only been talking about countries colonizing other countries, mostly for benefits in trade and commerce. But, Data Colonization is an entirely new horizon, a reality that is omnipresent, but so surreal it amazes me.

Digging deeper into what experts had to say, I was enlightened about the possibility of a Fourth Industrial Revolution- or as I would call it- the ‘D’ revolution. So, it is no longer only about digitization. Data plays a bigger role now. Companies are buying piles of data at gigantic prices only to move one step ahead of us; to know what their customers need without them declaring it out front.

On the other hand, the tax filing season has begun. The new Tax Cuts and Jobs Act is in full swing, and as was expected, it has left a lot of us baffled. The effects of the Act have been different from what most people were expecting; most of us anticipated a bigger return, didn’t we? But, in my opinion, a smaller return is not always bad.

Moving forth, this edition of Fizzfx will introduce you to the reality that surrounds us all- the ‘D’ Revolution, and my team is also bringing to you a detailed analysis of what happened to your refund.

I hope you will enjoy reading this month’s edition. And, if you have any suggestions, we would be glad to hear from you! Have a happy read!

Ehtesham Haque
Editor-in-Chief, Fizzfx
CEO, Sagenext Infotech LLC

Mitigate Accounting Risks In 5 Easy Steps

The chances of a data breach multiply with the amount of data an industry deals with and accounting firms obviously have piles of it. The best thing they can and should do is to invest their resources into risk mitigation rather than making amends later.

Here are 5 proactive steps an accounting firm can take to keep risks at bay and to prevent unwanted accidents from happening:

STEP ONE: Securing Electronic Information And Communication

Accounting firms or any other business today cannot function smoothly without the assistance of the internet and other modes of communication. Since accounting firms are dealing with a humongous amount of client information, securing these modes of communication lies on the top of their priority list.

STEP TWO: Protect Your Firm From Errors And Ensure Accuracy

When data is handled manually, the probability of errors and omissions is significantly high. Human errors are fairly common, as people often phase out or miss out on a piece of information while performing mundane tasks such as entering data in the accounting software. Errors and omissions may often prove to be costly for an accounting firm.

STEP THREE: Hone The Communication Skills Of Your Employees

Improper communication has its own outcomes. Conversing respectfully and delivering your message to-the-point can prevent a number of situations from going out of hand.

STEP FOUR: A healthy work environment for greater productivity

Accounting can often be stressful. Owners of accounting firms must pay proper attention to their employees' health: both physical as well as mental. A happy and healthy workplace is a must for a work environment that promotes productivity and increases employees' efficiency.

STEP FIVE: Protect your property

A business needs all-around protection for a smooth run. But, most accounting and tax preparation firms are concerned with the above-mentioned risks. What they often forget is that risk to personal property is equally important and adequate arrangements should be made to mitigate it. read in detail here

Saloni Arora
saloni@thesagenext.com

Tax Filing Begins: Reactions and Effects of the New Tax Code

Amidst the hullabaloo of the possible government shutdown take-two and the confusion over the new tax code, the filing season has begun. The new Tax Cuts and Jobs Act (TCJA) is now into implementation. Early filers have started calculating their taxes and comparing them to last year. The difference is clear. Let us understand how the Act is affecting us.

‘What happened to my refund?’

This is the question countless Americans are asking. Early filers have taken to Twitter to express their views, and they do not seem happy about the fact that their refund amount has decreased, or they owe more money to Uncle Sam. The Act promised relief and taxpayers, especially Trump supporters, seem displeased.

The truth is, most Americans have become dependant on their refund cheque. They rely on that money to help their financial position. After the withholdings decreased last year, the refund was bound to get smaller. Experts say they had expected this, as a large refund means you paid more in the first place. But the taxpayers are shocked and confused.

The most recent IRS data shows average refunds running low by 9 percent compared to the previous year. The Democrats and independent analysts are criticizing the changes made, saying that they favor the wealthy more than the middle-class.

The US Treasury has said that the TCJA has cut taxes for everyone and the new system is more accurate. Smaller refunds actually mean that people are withholding the appropriate amount based on what taxes they owe. This basically means larger paychecks throughout the year.

The Realization after the Shock: Changes in Withholding

What happened to the refund? The change in the guidelines for withholding at the start of the year 2018. That is the amount withheld from paychecks for taxes you owe. Thus, even if your taxes have decreased, you might have a smaller refund or owe more money.

The US Treasury has estimated that several million more taxpayers (a rise from 18 percent to 21 percent) will owe money instead of getting a refund. And many will get a smaller refund, as they didn’t overpay this year. This realization comes as a nasty surprise.

How the New Tax Code Affects You

The TCJA was signed by President Trump on December 22, 2017, and is said to be a major overhaul in the tax policies. As taxpayers calculate their taxes now, the effects of these changes are slowly coming into light.

Here are some major highlights.

For individuals

- The tax rates of the existing seven tax brackets have been lowered. The highest bracket is $500,000 for single people and $600,000 for married couples with an income tax rate of 37% (lower than the earlier 39.6%).
- The standard deduction slabs have been doubled (approximately). Single filers get a deduction of $12,000 (earlier $6,350), while joint married filers get a deduction of $24,000 (earlier $12,700). It is estimated that most taxpayers will opt for a standard deduction to save time and efforts. The experts predict that this huge move could harm the tax industry, and decrease charitable contributions (as fewer people will want to itemize their deductions).
- Personal exemptions have been eliminated. Earlier, a taxpayer could deduct $4,150 for each person claimed. This hurts people with large families, even with a higher standard deduction.
- Many itemized deductions have also been eliminated. You cannot claim moving expenses (except for military personnel), alimony payments (for divorces signed in 2018 and after), casualty and theft losses (only federally-declared disaster losses can be claimed), and more.
- The deduction on mortgage interest is now limited to just the first $750,000 of the loan.
- Only $10,000 can be claimed for state and local taxes. Taxpayers need to make a choice between property taxes and income or sales taxes. This will be harmful for states with higher tax rates, like California and New York.
- The estate tax exemption has been doubled to $11.2 million for single filers and $22.4 million for joint filers. This largely helps the top 1 percent population (4,918 taxpayers) of the country.
- The Child Tax credit has been increased to $2,000 from $1,000. This can be claimed by parents even when they do not earn enough to pay taxes (up to $1,400).
- For every non-child dependant, one can claim $500 credit.
- The Obamacare tax has been revoked by the Act for those without health insurance in 2019. The government saves billions by not having to pay subsidies, but this means the costs of health care will rise and fewer people would get the care they… [read more](#).

Sobia Azam
sobia@thesagenext.com

How Data Will Define the New World Order Post Industry 4.0!

A layman perspective on the importance of data colonialism in a world order where companies are the new countries.

The last world order we grew up reading about was the world of colonialism and hegemony, and it primarily came into existence during the **First Industrial Revolution** in Europe and the United States between the 1760s and 1840s. It was a period when countries like the US and the UK, which were the torch bearers of the First Industrial Revolution, started to expand their manufacturing industries. They looked at other countries as 'markets only' for consumption of their industrial products. A couple of decades went by and the First Industrial Revolution was followed by the **Second Industrial Revolution** between the 1870s and the year 1914, just before the World War-I.

The narratives of how the world benefited from these two industrial revolutions have been limitlessly written, but what we often miss to notice is that these two revolutions also created an enormous and unprecedented economic division in the world. The first Industrial Revolution defined the first world order of modern times where one strong country or a couple of strong countries ruled and had a preponderant influence over many other countries. The enormity of this was well described (as in the table below) by Paul Kennedy (1987) in his book 'The Rise and Fall of the Great Powers'.

Share of Total World Manufacturing Output (Percentage)[144]

	1750	1800	1860	1880	1900
Europe	23.2	28.1	53.2	61.3	62.0
United States	0.1	0.8	7.2	14.7	23.6
Japan	3.8	3.5	2.6	2.4	2.4
The Rest of the World	73.0	67.7	36.6	20.9	11.0

A mere glance at the table above shows us how the share of the total world manufacturing output changed its sides. During the 1750s, the total manufacturing output of Europe and the US combined skyrocketed from a meagre 23% to 85% in 1900s. On the other hand, it shrunk from 73% in 1750s to mere 11% by 1900s for the rest of the world. Nearly a century later, a **third industrial revolution** hit us with the emergence of nuclear energy, electronics, and computers. This made human lives even better as we advanced through computer-driven automation and paved our way for further research beyond earth, within our human genes, and to the sky.

And now, here we are in the middle of the fourth industrial revolution. I call it the 'D' Revolution – 'D for Data' and 'D for Digitization' of the world. The genesis of this revolution lies in core innovations from the third revolution, i.e. computers and internet. And, the biggest commodity or output of this revolution so far has been the unprecedented amount of information floating around us in the form of Big Data. This humongous volume of data combined with advanced internet technologies and artificial intelligence today is enabling us to build a new virtual world around us from which we can steer our physical world. And I think whosoever – a country, a company or an individual – holds control of this big data, shall command the virtual world around us, shall have a preponderant control over our physical world, and thereby, become the biggest ruler or the largest hegemon of this new world order in a post fourth revolution era.

By now, the biggest hegemon in the world had traditionally been either a state or an empire, but nothing exactly defines who can be a hegemon. It just so happened historically those countries have always been the entities that match best to the undefined definition of a hegemon.

I remember a couple of years ago, I watched a Bollywood movie in which the protagonist says, ***"Companies are the new countries and countries are the new companies."*** If I were to apply that dialogue from the film on my estimation of the future world order, I think it all makes perfect sense – at least to me. Today, companies are actually deeming to be the new countries and raising their worth and stature to be parallel to a country, and at times even out-growing one or multiple countries combined. For example, when Apple hit $1 trillion in value last year, there were only 16 countries with a GDP either equal to or greater than Apple's market valuation, as per World Bank reports. That means if Apple were a country, it would be the 17th largest country in the world. Similarly, Walmart, Google, Amazon, and Facebook etc. are such big companies, which would stand ahead of many countries of the world if they were to be compared against countries on the basis of their valuation.

To say that – 'I work with Apple or Google' – gives the same pride to an employee of these companies today, what colonial phrase – 'the sun never sets on the British Empire' – gave to Englishmen during the colonial period. These companies have grown so huge that Google today is a verb, iPhone – a necessity in the US while an aspiration in a country like India, Facebook – a birth right, and AmazonPrime – an urban lifestyle. Let's think what technologies these giant GAFAM (Google, Apple, Facebook, Amazon, and Microsoft) companies are working on today? The answers you would get are – Data, Digitization, and Artificial Intelligence – the core commodity or product of the **Fourth Industrial Revolution**, also referred to as **Industry 4.0**. And, if colonialism has to be redefined… read more

Ehtesham Haque
ehtesham@thesagenext.com

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