



Leadership Post-COVID: What's Next?

According to a recent survey by the Conference Board, senior executives have a positive outlook on the future. They say the biggest contributor to this confidence is the distribution of successful COVID-19 vaccines which allows business owners to take the worst-case scenarios off the table. It's providing greater predictability, facilitating short-term planning, and enhancing supply chain reliability. Survey data also shows that 58 percent of US CEOs regard COVID-19 as the primary disruptor of their 2021 business environment. However, 45 percent also see vaccine availability as having a major impact in the coming year.

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Successful Recovery

What will a successful recovery require? Business owners learned valuable lessons during the pandemic, many of which they will continue to embrace during recovery. For example, CEOs say their organizations will focus on adaptability, flexibility, clear communication, and the need for "quick, decisive action while maintaining calmness under fire." Some recognized that their disaster plans were inadequate and will take steps to address deficits. Others were inspired to drive change at a time when everything was already in upheaval while others recognized that "empathy and doing the right thing" go a long way during crises.

External collaboration—with customers, suppliers, and advisors—was also mentioned in the survey as an important lesson.

Workplace Changes

Interestingly, US executives show slightly greater interest in bringing employees back to the physical workplace than do their global peers. However, many companies have found a comfort level with a remote workforce, and few responding CEOs plan to make significant changes to the current number of remote workers in the coming year. The Conference Board estimates that before the pandemic, roughly 5 to 7 percent of full-time US workers with office jobs worked primarily from home. Post-pandemic, that number will likely rise to 20 to 40 percent.

The fact that work has been uncoupled from location, at least in many cases, also opens the door to a different talent management and compensation model. For example, some CEOs expect that they can pay less for talented employees living in less expensive regions. Others believe that providing equal pay to team members with the same

responsibilities, regardless of where they live, promotes equal contribution to the project.

Operational Transformation

For 2021, CEOs say they'll be focusing on "prudent financial management and cultural changes to drive growth and improve performance," and "finding the right balance between conserving cash and investing in the innovations and programs needed to succeed in a new commercial landscape." One tactic that many executives agreed upon is the idea of accelerating digital transformation, defined as the use of technologies and data for the purpose of developing new products, services, markets, and business models.

Indeed, surveyed CEOs say that digital transformation is their top strategic priority for 2021. These executives recognize that digital transformation may also require changes in organizational structure, corporate culture, and talent development. In other words, this is a big-picture endeavor with many moving parts. It will take enormous effort to affect this change, but executives acknowledge that it is the way to create a sustainable competitive advantage.

Lessons for the Future

There's no question that the pandemic will have a lasting effect on the workplace, but it is heartening to know that US executives are prepared to embrace the challenges and opportunities ahead.

Source: The Conference Board, C-Suite Challenge™ 2021, "Leading in a Post-COVID-19 Recovery"





How to Protect Your Company Against Ransomware

When a ransomware attack recently debilitated the largest gas pipeline in the US, it was impossible to ignore. According to Palo Alto Networks, the average ransomware demand in 2020 was nearly \$850,000, with an average demand of \$2.9 million for large enterprises. Coveware estimates that the average ransom payment rose to \$233,817 in the third quarter of 2020, up 31 percent from the second quarter. A recent survey of IT executives from 26 countries by security software company Sophos estimates that 51 percent of organizations worldwide have been hit by ransomware, with 26 percent paying ransom to get their data back.

Assess Your Risk

Ransomware attackers target companies of all sizes in all industries—as well as individuals. While some cybercriminals are only seeking money, some are also after releasable or salable data. For example, manufacturers can be targeted for their intellectual property. Healthcare providers can be targeted for their patients’ personally identifiable information. Police departments and law offices can be targeted for the potentially incriminating information they hold.

Plus, paying ransom isn’t always the end of the nightmare. The threat of releasing stolen data can be used over and over for extortion, and the criminals can return for more ransom.

Take Action

Rather than face this dilemma, spend your IT energy and dollars preventing it. Basic security steps go a long way in protecting your network. For example:

Keep software up to date. Obviously, your antivirus software must be current, but keep your operational software packages up to date as well. Regular software updates—sometimes ignored by harried executives—often contain security patches.

Know your network. Use a security package to provide insight about traffic on your network and alert you to intrusion attempts and anomalies. Also, keep track of devices connected to your network. With employees working from home and portals available for suppliers and customers, you may be at risk from a backdoor entry. Consider segmenting networks to reduce risk.

Watch emails. Don’t click links. Don’t open unknown attachments. Don’t respond to email from an untrusted source. No matter how many times you remind employees to use good email protocols, it’s never enough. People are busy. Criminals are sneaky. Regular training is a must.

Forget the sticks. While many companies have moved to cloud storage, some employees still use USB flash or stick drives. As convenient as they are, they are easily lost, get passed around and inserted into untrustworthy devices, making them an easy malware conduit. Because their risks are so high, some companies have banned their use altogether. If employees must use a USB, insist on one with a secure-key lock that encrypts files.

Change passwords. Until there’s a better universal system for gaining access to networks and files, passwords are a necessary evil. Changing them regularly is painful but mandatory. The length of passwords contributes to their security far more than the complexity of characters.

Pay Attention

Make it a priority to strengthen your cybersecurity. Don’t risk your hard-earned assets on something as painful and pointless as a preventable ransomware attack.





COVID Relief Assistance Update

As businesses move beyond operating in pandemic crisis mode, many are facing a significant financial aftermath and considering their options. If you haven't yet taken advantage of all available programs to help your company, it's not too late for some assistance.

Late in 2020, the Consolidated Appropriations Act (CAA) of 2021 provided \$900 billion in additional funding for COVID-related aid. This second round of funding extends certain programs and broadens the application of funding—in some cases retroactively. Here are two updates to consider:

Paycheck Protection Program (PPP)

The deadline for 2021 PPP applications has passed, but loan forgiveness applications will be available later this year. If your company received a PPP loan for less than \$150,000, you can take advantage of a simplified forgiveness process that requires only a one-page certification letter attesting to the number of employees retained, the amount spent on payroll costs, and the total loan value.

Also, the CAA expanded the eligible expenses for PPP loans, which now include additional employer-paid benefits, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. Additionally, the covered period is more flexible, between 8 and 24 weeks.



The IRS also released new guidance regarding deductibility of PPP loan proceeds. IRS Revenue Procedure 2021-20 allows taxpayers who reduced their deductions for expenses paid using forgiven PPP loan proceeds to elect to take those deductions in the following taxable year rather than amending their current year return.

Taxpayers who filed returns on or before December 27, 2020 (when the CAA was enacted), may now elect to claim the lost deductions on the following year's return by attaching a statement to the return.

Employee Retention Tax Credit (ERTC)

In 2021, the ERTC is available to any sole proprietor, LLC, S Corp, or C Corp with fewer than 500 full-time employees (up from 100 in 2020) that experienced a decline in gross receipts by more than 20 percent in any quarter of 2020 compared to the same quarter in 2019.

For wages paid between January 1, 2021 and before July 31, 2021, this payroll tax credit is 70 percent of qualified wages up to \$10,000 per employee per quarter. (This does not include owners and their family members with combined ownership greater than 50 percent.)

The maximum credit any employer can receive in 2021 is \$14,000 (\$7,000 per quarter) per employee. For 2020, there is a maximum of \$5,000 per eligible employee, computed at a rate of 50 percent of qualified wages up to \$10,000 for the year.

Significantly, the new law also allows qualified companies to take advantage of both the ERTC and PPP. PPP funds and ERTC can't be used to cover the same payroll costs, but it is possible to coordinate these benefits with good planning and record keeping.

As expected, there are many rules and limitations to these programs, so be sure to talk with your tax advisor to see if and how your company qualifies.



Energy Efficiency Tax Deduction Made Permanent

The Consolidated Appropriations Act (CAA), enacted in December 2020, addressed a number of tax provisions, including the Commercial Buildings Energy Efficiency Tax Deduction, known familiarly as IRS Code Section 179D.

This energy efficiency tax incentive has been in effect since 2006, and after many extensions, was set to expire at the end of 2020.

To the relief of taxpayers and planners, the CAA made the popular provision permanent.

If you own or lease a retail, office, industrial, warehouse, or apartment building (at least four stories), or design and build government buildings, pay attention to this tax deduction.

Section 179D allows commercial building owners and government contractors (architects, engineers, designers, energy consultants, and retrofitters) to claim a tax deduction for installing qualifying energy efficient systems such as lighting; heating, ventilation, and air conditioning (HVAC); and building envelope systems including roofing, insulation, windows, exterior doors, foundation, and walls.

The CAA set the amount of the tax deduction at \$1.80 per square foot (subject to increases for inflation) for systems that improve by 50 percent an entire building's energy efficiency.

If the 50 percent threshold is not reached, a partial 60-cent per square foot deduction is available for increasing energy efficiency for the interior lighting (25 percent savings), HVAC (15 percent savings), or building envelope systems (10 percent savings).

To qualify, the improvements must be certified by a licensed engineer or contractor according to efficiency standards set by the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE).



If you didn't claim a deduction for qualifying property in a prior tax year, it might not be too late to file an amended return or claim a catch-up deduction.

The savings can be significant, not only in terms of reducing your tax liability, but also in reducing your future energy expenses.

