



NHC THE BOND NEWSLETTER

Nielson, Hoover & Company, Inc. | There's only one nationwide leader in surety bonds.

MIAMI, FL 8000 Governors Square Blvd. Suite 101 Miami Lakes, FL 33016 Tel: 305.722.2663 Fax: 305.558.9650	ORLANDO, FL 4380 St. Johns Parkway Suite 110 Sanford, FL 32771 Tel: 407.330.3990 fax: 407.330.3949	TAMPA, FL 1000 Central Avenue Suite 200 St. Petersburg, FL 33705 Tel: 727.209.1803 Fax: 727.209.1335	PALM BEACH, FL 4000 South 57th Avenue Suite 2-230 Lake Worth, FL 33463 Tel: 561.713.1453 Fax: 561.713.1455	ATLANTA, GA 119 Maple Street Suite 220 Carrollton, GA 30117 Tel: 770.830.7775 Fax: 770.830.8568	SAVANNAH, GA 31 Park of Commerce Way Unit 202 Savannah, GA 31405 Tel: 912.233.6260 Fax: 912.233.6270	CHARLOTTE, NC 2115 Rexford Road Suite 310 Charlotte, NC 28211 Tel: 704.362.3991 Fax: 704.362.3995	ASHEVILLE, NC 66 Elizabeth Place Asheville, NC 28801 Tel: 828.505.7431 Fax: 828.505.7430
---	--	--	--	---	--	---	---

2018-01

I AM RUNNING A COUPLE OF MONTHS LATER THAN USUAL... in getting out my first bond newsletter of 2018, so our traditional annual end-of-year quiz will be that much more difficult as we reflect back on 2017, but for the sake of tradition we are going to move ahead with our normal news quiz for 2017. Let's see how good your memory is:

- (1) President Trump's infamous line "You're fired!" was taken to another level last year, as more than a dozen high-ranking advisers and Cabinet officials were forced out or quit. Name the outspoken White House official who was fastest to be ushered out, after just 10 days.
- (2) In June, Trump explained a major reversal of previous U.S. policy by saying, "I was elected to represent the citizens of Pittsburgh, not Paris." To what was he referring?
- (3) After the Trump administration's first two travel bans were blocked in the courts, the White House added these two non-Muslim nations to counter arguments the order was motivated by animus against a particular religion.
- (4) Several Trump campaign associates found themselves in hot water after failing to disclose meetings with the Russian ambassador to the U.S. Name him.
- (5) Name the targets of the following tweeted Trump insults:
 "The WORST abuser of women in U.S. political history"
 "One of the most over-rated actresses in Hollywood"
 "The enemy of the American People"
- (6) Which airline was widely criticized after security officers were videoed forcibly dragging a screaming, bloodied passenger off an overbooked flight when he refused to give up his seat?
- (7) Americans became reacquainted with this 14th-century English term for a senile old person after North Korean dictator Kim Jong Un used the word to insult Trump.
- (8) This foreign leader engaged in a bizarre handshake with Trump that turned into a 29-second wrestling match of yanking and pulling in which neither man would let go.
- (9) Who coined the phrase "alternative facts" in defending Trump's insistence that his inaugural crowd was far larger than the photos would indicate?
- (10) Which former professional wrestler and current film star touted by columnist on both the Left and Right as a "self-made American hero" and potential presidential candidate in 2020?
- (11) How many intercontinental ballistic missiles did the "Little Rocket Man" in North Korea test last year?
- (12) There was celebration in the parliament and dancing in the streets when this southern African leader resigned after 37 years in power. Who is he and what country did he lead?
- (13) What European region voted for independence, prompting a police crackdown and sending the separatist leaders fleeing to Brussels?
- (14) Apple's iPhone celebrated what milestone last year?
- (15) A worker at what major tech firm set off a firestorm of outrage last summer by authoring a memo arguing that hiring or promoting people to create gender and racial diversity is "unfair, divisive, and bad for business"?

(16) Which U.S. state agreed to give Taiwan-based Foxconn \$3 billion in tax breaks, subsidies, and other incentives to build a factory there to make LCD panels for TVs and computers?

(17) Which major credit bureau suffered a massive cyberhack, exposing the Social Security numbers, birthdays, and other personal data of 143 million Americans?

THREE MONSTER HURRICANES... and a deadly wildfire season made 2017 the costliest year ever for natural disasters in the United States. The combined cost of Hurricane Harvey, Irma and Maria, plus thirteen (13) other weather and climate disasters was \$306 billion.

OUR GROWING NATIONAL DEBT... is \$20.5 trillion and rising. To put it in perspective, in sheer dollars, the United States is the most indebted country in the world followed by Japan (\$11 trillion) and China (\$5 trillion). In relation to the size of the economy, Japan's debt is the biggest in the world by far. Japan's debt is more than 240% the size of its economy, with Greece carrying the world's second largest debt load at 180%. By that same measure, the U.S. sits at 12th in the world. Japan's debt-to-GDP ratio is so large because its economic growth has largely stagnated over the last twenty (20) years, beginning with the bursting of the real estate and stock market bubble in 1991. Japan has run deficits since then in hopes of stimulating the economy back into growth. But its economy remains stagnant. Japan spends nearly half of its tax revenue on servicing its debt, but so far, the Bank of Japan and Japanese investors have happily continued to buy government bonds. In fact, Japanese traders call betting against these bonds "the widow maker."

As indebted as the United States currently is, we have not always been in debt. President Andrew Jackson briefly paid off the national debt in 1835, partly with proceeds from lands seized from Native American tribes. Otherwise, the U.S. has been in debt for nearly every year of its existence, beginning with the bill for the revolutionary war. The debt peaked after World War II, ballooning to 119% the size of the GDP in 1946, but it swiftly shrank during the post war economic boom. The debt load bottomed out at about 24% of GDP in 1974 and has been rising ever since. But it was after the great recession in 2007 that the debt really began to explode. The revenues cratered while the government spent heavily trying to stave off economic collapse, including George W. Bush's \$700 billion bank bailout, known as TARP, and Barack Obama's \$787 billion economic stimulus package.

Paying down the national debt to more acceptable levels is a discussion far beyond the room that we have in this bond newsletter, but like it or not, the need to do so will come sooner than later and it will involve restructuring our entitlements.

HOW IS PRESIDENT TRUMP DOING?... Here are the facts, since President Trump took office:

(1) Unemployment has fallen to a 17 year low.

(2) Over 1.9 million jobs have been added.

(3) The stock market has gone up more than \$6 trillion.

(4) ISIS is on the run.

(5) New home sales have soared to a 10 year high.

(6) Tax reform has put and will continue to put money back in the pockets of Middle America and will continue to stimulate the economy as a whole.

(7) President Trump is moving towards a diplomatic agreement with North Korea which has been unsuccessfully addressed by four (4) previous Presidents. Negotiating from a position of strength has brought diplomatic results and a renewed respect around the world for our country and our values.

I get the fact that form often overrides substance in the mainstream media as it relates to President Trump and his performance thus far, but his personality and actions have stimulated a social and economic revolution that has and will continue to benefit the social and economic fabric of our country.

AN OXYMORON ... is a rhetorical figure of speech in which contradictory terms are combined and are a common part of our language. In that regard, let me point out twenty-eight (28) oxymorons that I have collected and am sure that you could add many more:

- (1) Is it good if a vacuum really sucks?
- (2) Why is the third hand on the watch called the second hand?
- (3) If a word is misspelled in the dictionary, how would we ever know?
- (4) If Webster wrote the first dictionary, where did he find the words?
- (5) Why do we say something is out of whack? What is a whack?
- (6) Why does "slow down" and "slow up" mean the same thing?
- (7) Why does "fat chance" and "slim chance" mean the same thing?
- (8) Why do "tug" boats push their barges?
- (9) Why do we sing "Take me out to the ball game" when we are already there?
- (10) Why are they called "stands" when they are made for sitting?
- (11) Why is it called "after dark" when it really is "after light"?
- (12) Doesn't "expecting the unexpected" make the unexpected expected?
- (13) Why are a "wise man" and a "wise guy" opposites?
- (14) Why do "overlook" and "oversee" mean opposite things?
- (15) Why is "phonics" not spelled the way it sounds?
- (16) If work is so terrific, why do they have to pay you to do it?
- (17) If all the world is a stage, where is the audience sitting?
- (18) If love is blind, why is lingerie so popular?
- (19) If you are crossed-eyed and have dyslexia, can you read all right?
- (20) Why is bra singular and panties plural?
- (21) Why do you press harder on the buttons of a remote control when you know the batteries are dead?
- (22) Why do we put suits in garment bags and garments in a suitcase?
- (23) How come abbreviated is such a long word?
- (24) Why do we wash bath towels? Aren't we clean when we use them?
- (25) Why doesn't glue stick to the inside of the bottle?
- (26) Why do they call it a TV set when you only have one?
- (27) Christmas – What other time of the year do you sit in front of a dead tree and eat candy out of your socks?
- (28) Why do we drive on a parkway and park on a driveway?

THE NEW TAX LAWS WILL HAVE AN IMPACT ON MOST CONSTRUCTION COMPANIES ... not just in the way that you count your "beans", but in a variety of purchasing and operating activities. The amount of time that I will spend on these tax changes in the bond newsletter will be equal to what I perceive your attention span on this subject to be...very short. My best advice to all of you is to work with your CPAs to determine how you move forward in light of the changes.

Briefly, the Tax Cuts and Jobs Act was passed by Congress on December 20th and signed by President Trump on December 22, 2017. Major tax reform has been 31 years in the making as the last major tax reform bill was passed in 1986 (Ronald Reagan). The act contains many provisions that will have a direct and significant impact on those in the construction industry.

For contractors that are C corporations, the tax rate decreased to a flat 21%, down from a top rate of 35% for taxable years beginning after June 1st of this year. For those companies that are pass-through entities (Sub Chapter S) the top individual rates were decreased from 39.6% to 37% beginning in 2018, so there has not been a significant tax decrease for Sub Chapter S pass-through entities.

The Tax Cuts and Jobs Act left a number of individual tax brackets unchanged (7 to be exact), beginning with the lowest at 10% and the top at 37%.

Although you may have already computed your 2017 taxes, if you have not, it would be advisable to look at the 9% deduction that was available to construction companies that will now expire in 2018. Under the old law, almost all contractors were allowed to take this deduction for construction activities conducted in the U.S. The

act unfortunately repealed the deduction starting February 1, 2018. Therefore, it might be well to make certain you are getting the full 9% deduction for 2017.

AT THIS POINT I KNOW YOU ARE PINCHING YOURSELVES TO STAY AWAKE... but just one last important point. Under the old tax law, small contractors (average annual gross receipts of \$10 million or less in the three prior years) were able to postpone taxation on income from long term contracts until they were completed or when cash is collected. Larger contractors had to use the percentage of completion method of accounting which requires them to recognize income as the job progresses. Effective January 1st, the act increased the \$10 million gross receipts threshold to \$25 million. Small contractors affected by this provision can change from percentage of completion to either the completed contract, or the cash basis for contracts started after December 31, 2017. Any contracts started before 2018 would continue to be accounted for under the percentage of completion method.

As I mentioned, there is much more to it and you need to spend some time with your accounting professionals.

IF YOU ARE STILL AWAKE... I would like to introduce Ian Rutherford Plimer who is an Australian geologist, professor emeritus of earth science at the University of Melbourne, professor of mining geology at the University of Adelaide, and the director of multiple mineral exploration and mining companies.

He has published 130 scientific papers, six books and edited the Encyclopedia of Geology. His credentials are impeccable. The reason that I was introduced to Dr. Plimer is the Climate Change – Carbon Dioxide argument that continues to rage. I realize that most of you reading this bond newsletter have drunk the “Climate Change because of increased carbon dioxide” Kool Aid. We have been told the increase in carbon dioxide is the result of burning fossil fuels and other activities of our modern society. According to Dr. Plimer, this is way off the mark. The 2010 volcanic eruption in Iceland, since its first spewing of volcanic ash, has in just four days, negated every single effort we have made in the past seven years to control CO2 emissions on our planet.

Of course, you all know about this evil carbon dioxide that we are trying to suppress - it's that vital chemical compound that every plant requires to live and grow and to synthesize into oxygen for us humans and all animal life.

I know....it's very disheartening to realize that all of the carbon emission savings you have accomplished while suffering the inconvenience and expense of driving Prius hybrids, buying fabric grocery bags, sitting up till midnight to finish your kids “The Green Revolution” science project, throwing out all of your non-green cleaning supplies, using only two squares of toilet paper, putting a brick in your toilet tank reservoir, selling your SUV and speedboat, vacationing at home instead of abroad, nearly getting hit every day on your bicycle, replacing all of your 50 cent light bulbs with \$10.00 light bulbs....well, all of these things you have done have all gone down the tubes in just four days!

The volcanic ash emitted into the Earth's atmosphere in just four days - yes, FOUR DAYS - by that volcano in Iceland has totally erased every single effort you have made to reduce the evil beast, carbon. And there are around 200 active volcanoes on the planet spewing out this crud at any one time - EVERY DAY. Perfect example, Hawaii.

I don't really want to rain on your parade too much, but I should mention that when the volcano Mt. Pinatubo erupted in the Philippines in 1991, it spewed out more greenhouse gasses into the atmosphere than the entire human race had emitted in all its years on earth.

There is a well-recognized 800-year global heating and cooling cycle, which keeps happening despite our completely insignificant efforts to affect climate change.

Just remember that your government has tried to impose a whopping carbon tax on you, on the basis of the BOGUS 'human-caused' climate-change scenario. As you are aware, it is no longer “Global Warming”, it is now “Climate Change”.

Keep in mind, that you might have an Emissions Trading Scheme imposed on you by your government, that will achieve absolutely nothing except make you poorer. It won't stop any volcanos from erupting; that is for certain.

I cannot argue with the concept that there is "Climate Change", but it is a natural course of events and has been since our planet cooled and life appeared some 4-5 billion years ago. The controversy, as far as I am concerned, settles around how much impact we humans have on the amount of carbon dioxide in our atmosphere. At the end of the day it is minuscule compared to the amount of carbon dioxide spewed in our atmosphere by natural occurring events. You can all drive your Ford 250s without feeling that you are either warming the world or bringing on another ice age.

Scientists have found large increases in snow accumulation in a vast region of eastern Antarctica, a trend that, if it continues or becomes more widespread, could and probably will lessen the ice sheet's contribution to the sea level rise and possibly help mitigate one of the most feared consequences of climate change.

The new study, conducted by scientists from NASA and several other institutions, examined snowfall in western Queen Maud Island, an area due south of the southern tip of Africa that is warming rapidly and contains 7 percent of Antarctica's ice overall.

Based on a more than 500-foot long ice core extracted from the thick sheet of ice and containing a snowfall record dating back 2,000 years, the researchers found that snow accumulation levels had been rising since around 1900, and the rise is most marked in the most recent decades up through the year 2010. The bottom line is that all of the hand wringing and fear over the melting of the ice sheet in Antarctica could, and probably will be compensated for, by extensive snow accumulation levels on the ice sheet which had not been investigated or previously taken into account. Relax, the oceans are not likely to rise significantly and South Florida beaches will still be the same South Florida beaches 100 years from now.

THANK GOODNESS WINTER IS OVER... For many of our friends particularly in the Northeast, it has been a very cold and miserable winter. Even those in New England and the Northeast really do not know what cold is even after a winter like we've had. Actually, the coldest city in the world is the capital city (Yakutsk, Russia) of the vast 1.2 million square miles Siberian region known as the Sakha Republic. Yakutsk is widely identified as the world's coldest city. No other place on Earth experiences the temperature extremes of Yakutsk, Russia. Though temperatures during the very brief summer can exceed 85°F, winter temperatures regularly fall to -40°F, and the lowest ever recorded was a staggering -83°F. If you are tempted to visit Yakutsk, Russia, you should know that everything is ice, fog, and shadows. If you had a camera and wanted to photograph the city during the winter, frost would instantly coat your camera and its mechanisms would freeze to a halt instantly. It is often too cold to break ground for construction or graves, too cold for airplanes to fly or crops to grow. Markets do not have fresh vegetables, but they have very fresh, very cold fish. Yakutsk, Russia has a population of approximately 300,000 and has little, if any, tourist trade (wonder why?).

PONDER THIS:

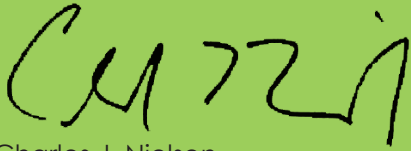
- (1) Do twins ever realize that one of them is unplanned?
- (2) If poison expires, is it more poisonous or is it no longer poisonous?
- (3) Which letter is silent in the word "scent", the S or the C?
- (4) Why is the letter W, in English called double U? Shouldn't it be called double V?
- (5) Maybe oxygen is slowly killing you and it just takes 75 to 100 years to fully work.
- (6) Every time you clean something, you just make something else dirty.
- (7) The word "swims" upside-down is still "swims".
- (8) 100 years ago everyone owned a horse and only the rich had cars.
Today everyone has cars and only the rich have horses.
- (9) Many animals probably need glasses, but nobody knows it.
- (10) If you rip a hole in a net, there are actually fewer holes there than there were before.
- (11) 100 years ago a \$20 bill and a \$20 gold piece were interchangeable.
Either one would buy a new suit, new shoes and a night on the town.
The \$20 gold piece will still do that.

BECAUSE WE ARE COMING UPON JUNE, THE MONTH OF MARRIAGES, A FEW THOUGHTS:

- (1) My wife and I were happy for 20 years, then we met – Rodney Dangerfield
- (2) Marriage is a triumph of imagination over intelligence – Oscar Wilde
- (3) Never get married in the morning, because you never know who you will meet that night – Paul Hornung
- (4) "I am" is reportedly the shortest sentence in the English language.
Could it be that "I do" is the longest sentence? – George Carlin
- (5) My husband and I didn't sign a prenuptial agreement. We signed a mutual suicide pact – Roseanne Barr

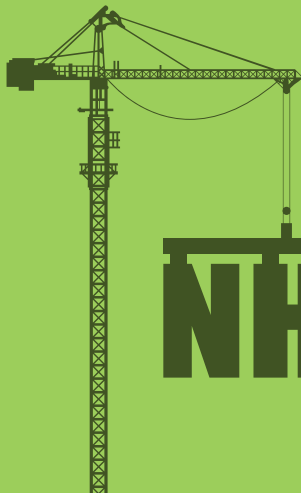
PARTING SHOT: Interesting Tidbit. Hmmmmmm.

When you are down in the dumps and you think you have real problems, just remember: Somewhere in this world there is Mr. Pelosi.



Charles J. Nielson
CJN/cb

ANSWERS to quiz – 1. Communications director Anthony Scaramucci **2.** Withdrawing from the Paris climate agreement **3.** North Korea and Venezuela **4.** Sergey Kislyak **5.** Former President Bill Clinton, Meryl Streep, the "fake news" media **6.** United Airlines **7.** Dotard **8.** French President Emmanuel Macron **9.** Kellyanne Conway **10.** Dwayne "The Rock" Johnson **11.** Three **12.** Robert Mugabe, Zimbabwe **13.** Catalonia, Spain **14.** Its 10th birthday **15.** Google **16.** Wisconsin **17.** Equifax



NHC

NIELSON, HOOVER & COMPANY, INC.