



Online Advisor – November 2015

Major Tax Deadlines For November 2015

During November: It's wise to estimate your 2015 income tax liability and review your options for minimizing your 2015 taxes. Call us if you would like to schedule a tax-planning session.

Note: Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

Payroll tax deposits: Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of FICA taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

What's New in Taxes

Beware! Tax scams old and new

The IRS has issued several warnings recently about scams both old and new.

In the "old" category are unsolicited phone calls from con artists who claim to work at the IRS. According to a press release, the Treasury Inspector General for Tax Administration has received reports of approximately 736,000 contacts since October 2013 and has become aware of



approximately 4,550 victims from every state in the country who have collectively paid over \$23 million as a result of this scam.

Remember that the IRS will generally contact you first by regular postal mail - not by phone. The IRS will not demand that you pay any tax bill with a prepaid debit card or wire transfer, nor ask for your credit card number over the phone.

A newer scam attempts to profit from the recent flooding in South Carolina. Fraudsters impersonate a charity and attempt to solicit donations as well as personal financial information.

We urge you to hang up immediately on any suspicious telephone calls. You can report scam attempts to the Treasury Inspector General for Tax Administration, the Federal Trade Commission, and the IRS. If you need assistance, we're here to help.

Reduce the effect of the net investment income tax

Year-end tax planning has traditionally included tips for managing ordinary income and capital gain tax.

These long-established strategies are still effective - but now your planning also needs to include ways to manage your exposure to the net investment income tax.

This 3.8% tax applies to the lower of your net investment income or the amount by which your modified adjusted gross income exceeds \$200,000 when you're single or \$250,000 when you file jointly.

Example. Say you're filing jointly for 2015. Your net investment income for the year is \$25,000 and your modified adjusted gross income is \$300,000. The tax is \$950 (3.8% of \$25,000).

Although the term "net investment income" covers most investment income - including capital gains, interest, royalties, dividends and passive income - other items such as distributions from IRAs and qualified plans and active business income are excluded. Be aware the excluded items may still increase your modified adjusted gross income and bring the net investment income tax into play.

Here are planning opportunities to consider before the end of the year to reduce the effect of the net investment income tax.

* Harvest capital losses from securities transactions and use them to offset capital gains.



- * Turn a passive activity into an active business by increasing the hours you spend participating in the activity.
- * Invest in tax-free municipal bonds or municipal bond funds that won't increase your net investment income or your modified adjusted gross income.
- * Sell real estate on the installment basis to spread out capital gain over several years or arrange a like-kind exchange to defer gain.
- * Instead of selling appreciated property, donate it to charity and realize a charitable deduction - with no capital gain.
- * When possible, defer taxable business income, including bonuses, to 2016 if you expect your income to be lower next year.

Reviewing your options for reducing the net investment income tax is only one part of comprehensive planning. Give us a call. We'll help you factor the net investment income tax into your year-end decisions.

New Business

Practice good information security

The IRS recently released an updated version of Publication 4557, Safeguarding Taxpayer Data. Even if you're not in the business of receiving, maintaining, sharing, transmitting, or storing the personal information of taxpayers, looking through the publication may benefit you. Why? Because Publication 4557 contains general processes, best practices, and guidelines for information privacy - and those tips can be useful no matter the type of financial information you acquire, use, and retain about your business partners, customers, and vendors.

For example, the publication contains a checklist that can help you define information security procedures and controls. Topics include risk assessment, facilities security, personnel security, and information systems security.

In today's world, identity theft is not only a concern of big corporations. Protecting valuable business records is a smart move no matter the size of your company.



Increase customer satisfaction - and your profits

In some industries, service has become a quaint memory. Customers are often reduced to selecting the provider that costs or annoys them the least. In this environment, pleasing your customers can create a powerful competitive advantage - and a few simple changes may increase your bottom line.

To distinguish your firm from the rest, consider the following customer service policies and procedures.

- * Communicate with your customers. Return calls, emails, and social media contacts promptly. Send updates about matters in progress, and explain delays as soon as you can.
- * Make life easy. Offer discounts at the point of sale rather than giving out coupons or making buyers apply for mail-in rebates. If you use an automated phone system, provide a simple method for reaching a live person.
- * Apologize early and whenever necessary. If you're even partly wrong, apologize and proceed to a resolution. Train your employees to do the same and reward them for positive outcomes.
- * Put customers first. Let your customers know you're there for them and that you regard them as more than "cash cows." Listen to concerns and address them promptly. If a customer is unhappy with a purchase (whether product or service), fix it, replace it, or refund the payment in full. At worst, the loss won't be compounded by damage to your reputation. At best, the money will come back multiplied by repeat business and referrals.

Quality service is a powerful marketing tool that's surprisingly easy to implement. Simply imagine how you would want to be treated and provide that treatment to your customers. As customer satisfaction increases, your profits will follow.

What's New in Finances

Should you layaway those gifts?

Will you be participating in significant year-end gift giving, and paying for those purchases in cash? Layaway -0 an old-school financing method of making a down payment on a gift or other retail item and paying the total cost off within a certain time frame - might help by forcing you to budget.



Whether layaway is better than buying items with your credit card is another question. The answer depends on layaway fees and how you manage your credit card balances. Say a retailer charges setup and/or cancellation fees for layaway accounts. You'll need to determine whether those fees will exceed the credit card finance charges incurred by adding the purchase to your current balance and making payments to the credit card company. If you pay your credit card balance in full each month, layaway offers no financial benefit and may even be a detriment when your card offers rewards.

Our advice: Always run the numbers on your financial options before you take on debt of any kind.

Get familiar with the costs of owning mutual funds

Are you familiar with the costs associated with mutual funds? Since fund expenses affect investment return, understanding the costs is an important step in making sound investment decisions. Here are some common charges you'll want to know.

* **Load.** A load is a sales charge imposed by the fund. You might think of it as similar to the fee you pay a broker to purchase a stock. Mutual funds fit in two broad categories: load and no-load. "Load funds" include front-end, back-end, and level-load. A front-end load, as the name implies, is charged when you make your initial investment. A back-end load is charged when you sell your investment before a specified period of time has passed. A level-load charges you an ongoing fee (for instance, 1% per year) as long as you own the shares. "No-load funds" have no sales charge. Keep in mind that no-load is not the same as no-fee. No-load funds can still charge purchase, redemption, exchange, and account fees. Look for information on these in a table located near the front of a fund's prospectus under the heading "Shareholder Fees."

* **Expense ratio.** The expense ratio tells you the cost of operating and managing the fund. These costs include marketing fees (sometimes called 12b-1 fees), management and administrative fees, operating costs, and other asset-based costs incurred by the mutual fund. A high expense ratio can hurt your overall return.

* **Turnover and taxes.** A fund's turnover ratio indicates how often the fund buys and sells investments. A high turnover ratio reflects active trading. Because funds pass capital gains through to shareholders, active trading could result in taxable income for you. A low turnover ratio indicates a "buy and hold" strategy that can postpone the tax bite.

If you have questions about investing in mutual funds, give us a call.



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