CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – October 2015

Major Tax Deadlines
For October 2015

* October 1 - Generally the deadline for self-employeds and small businesses to establish a SIMPLE retirement plan for 2015.

* October 15 - Deadline for filing 2014 individual tax returns on automatic extension of the April 15 filing deadline.

* October 15 - Due date for filing 2014 partnership tax returns that had an extension of the April 15 filing deadline.

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

Health insurers need your social security number

Among the many provisions in the "Affordable Care Act" is a new information return that "health coverage providers" must file with the IRS. Form 1095-B lets the IRS match your health insurance coverage with the information you report on your personal tax return.

Generally, a "health coverage provider" is an insurance company. To complete Form 1095-B correctly, your insurance company may ask you to provide your social security number. The request will come from the insurance company, not the IRS, and may simply be a letter. At present, there is no official IRS form for the insurance company to use to request your social security number.

Fraud prevention tip: Verify that requests for personal financial information are valid by contacting your insurance company directly.

Give your kids a head start with a Roth IRA

Would you like to give your child a head start on smart money habits? Here's a suggestion: Have the child invest in a Roth IRA. Why? The tax-free compounding of contributions and investment returns over your child's lifetime is a great wealth-builder.

Here's what you need to know.

* There is no minimum age to open a Roth IRA account. All your child needs is earned income, either from a job or from self-employment.

* The maximum contribution to a Roth IRA for 2015 is $5,500. Your child can contribute less and you can provide some or all of the cash, up to the amount of your child's earned income..

* Your child won't receive a federal tax deduction for a Roth IRA contribution - and will pay no federal income tax on qualified distributions taken after age 59½.

* You can continue to claim a qualifying child as a dependent on your tax return. Your child is also allowed a federal standard deduction of $6,300 for 2015, which means the first $6,300 of earned income is income-tax free.

* If you own a business and can employ your child, you can benefit from additional tax savings, including a payroll deduction for your business. In addition, depending on how your business is organized, you may not have to pay federal payroll taxes such as social security, Medicare, and unemployment. Remember, your child must perform real services and the wages can't be excessive.

* An early Roth IRA withdrawal could affect your child's college financial aid. Your child can take withdrawals from a Roth penalty-free to pay for college costs. But those withdrawals generally count as income when applying for financial aid.

Are you interested in learning more? Give us a call. We'll help you get started on saving for your child's future.

New Business

Set up internal controls to manage 401(k) Roth elections

Do you offer a Roth feature with your 401(k)? If so, check that you're handling employee contributions correctly. The IRS urges employers to make sure contributions designated as Roth contributions are deposited in the right account and included in each employee's gross income.

Fixing Roth contributions that have been treated as regular pre-tax 401(k) salary deferrals means making a transfer to the right account and reporting the correct income to employees. For mistakes made in prior years, you may need to correct Forms W-2. In that case, your employees would need to file amended tax returns.

Give us a call for suggestions on how to set up internal controls for your payroll process to avoid errors.

A buy-sell agreement helps you plan for contingencies

What will happen to your business if you die, retire, or become disabled? If you are a small business owner, you need a means for the transfer of that business in the event something happens to you. With a "buy-sell" agreement, you are able to plan for many contingencies over which you would otherwise have little control. A buy-sell agreement should establish a price and method of succession.

The traditional buy-sell agreement is a contract between the business entity and all the entity's co-owners. The agreement typically covers valuing the business, laying down triggering events that would bring the terms of the contract into effect, and defining the transfer of ownership. There are many advantages in drafting a buy-sell agreement, including the following:

* Provides a framework for dealing with owner disputes - ensures a smooth transition of control and power to the owner's successor.

* Facilitates estate planning objectives - can help minimize certain estate taxes and can be structured to take advantage of favorable redemption rules upon death.

* Fixes value for estate tax purposes - includes a method for valuing ownership interests and establishing a fixed value for purposes of taxing the estate upon the business owner's death.

* Forces owners to deal with liquidity issues - addresses how a possible buyout would be funded.

* Helps prevent loss of tax benefits - especially for S corporations in which transferred stock could lead to termination of the S election. A buy-sell agreement can prohibit the transfer of shares without the consent of owners.

The ownership and management of your business should not be left to chance. Your buy-sell agreement must satisfy all parties involved, including the IRS. We'll be happy to work with your legal team to discuss the drafting or updating of your agreement. Please give us a call.

What's New in Finances

Talk to your college student about finances

A recent study by the American Institute of Certified Public Accountants shows a wide gap between how well college students think they handle money and how well they actually handle money. The survey also found that nearly a third of students taught themselves how to budget.

The good news is that 99% of surveyed students said developing money management skills was "extremely" or "very" important, and 84% said they were "extremely" or "very" interested in learning how to make better financial decisions.

It's never too late to teach your kids how to handle finances. Involve them in family budgeting discussions and talk about credit cards and student loan debt. Share your knowledge - and your mistakes. Help your kids take ownership of their future by arming them with sound money skills.

Ex-dividend dates can bring a tax surprise to the unwary

Are you shopping for a mutual fund? Make sure you understand ex-dividend dates to avoid a surprise at tax time.

Unlike stocks, a mutual fund is required to distribute its annual income to shareholders. The distributions are often taxable in the form of interest, dividends, and capital gains. The ex-dividend date is the day when shares you purchased no longer have the right to receive the scheduled distribution.

Why does the ex-dividend date matter? If you buy shares of a fund before the ex-dividend date, you will receive a taxable distribution - meaning you'll pay taxes on income earned by the fund before you owned it. Since the price of the fund shares before and after a distribution reflect the amount of the dividend, you're converting part of your purchase price into income.
What if you're selling your shares? If you've owned appreciated shares for more than a year, selling them could produce income taxed at favorable long-term capital gain rates, as opposed to receiving distributions taxed at ordinary tax rates.

If you own a mutual fund in a qualified retirement account, the annual distribution will not be subject to immediate taxation. In that case, the timing of your purchase is of less importance from a tax standpoint.

Mutual fund investing can be advantageous if you know the rules. Give us a call for guidance on the tax implications of your investments.

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.

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