CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – July 2016

Major Tax Deadlines
For July 2016

* Aug 1 - Retirement or employee benefit plan returns (5500 series) for plans on a calendar year.

* Aug 1 - Form 941, Employer’s Quarterly Federal Tax Return.

* Aug 1 - Form 720, Quarterly Federal Excise Tax Return.

NOTE: Because July 31, 2016, is a Sunday, the due date for the above returns is August 1, 2016.

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

You can use this free IRS service to get your tax information

Do you need a transcript of your federal income tax return, tax account, wages and income, or record of account? These transcripts, as well as a verification of non-filing, are once again available for no charge online at the IRS website. The online service, known as "Get Transcript," was shut down for more than a year due to fraudsters using it to gain access to taxpayer information.

The IRS has reopened Get Transcript with increased security and authentication procedures, including verification with a credit reporting agency of your mobile phone number as well as a financial account number that you provide from a credit card, auto loan, mortgage, home equity loan or home equity line of credit.

Once you're signed up, you can view, print, or download your transcript, or request that a transcript be mailed to you.

Transcripts only provide line-by-line information. If you need a copy of your original return, use Form 4506, Request for Copy of Tax Return, instead. Contact us if you have questions.

Did you get an IRS notice? Here's what to do

According to a 2016 report from the Treasury Inspector General for Tax Administration, the IRS mailed more than 188 million notices and letters to taxpayers during 2014. There's no reason to believe the number of notices will be slowing down anytime soon. If you're on the IRS mailing list, here's what to do.

Scan the heading. The first line, generally printed in bold type and centered beneath your name and address, will tell you why the IRS is contacting you. Questions about missing information, additional taxes owed, or payments due mean you'll want to take prompt action to avoid more notices or assessments of interest and penalties.

Review the discrepancy. You'll find the tax form and the year to which the notice applies printed in the upper right corner. Pull out your copy of the corresponding tax return, along with the supporting documents, and compare what you filed with what the IRS is questioning.

Prepare your explanation. Are the proposed changes correct? Did the IRS misapply a payment? Whatever the issue, there's usually no need to file an amended return. However, the IRS typically wants a response, by either phone or mail, in order to clear the notice from your account.

Do not delay. Ignoring IRS correspondence will not make it go away. Reply to the IRS in a timely manner even if you don't have all the information being requested.

Please contact us when you receive a notice from the IRS or state or local taxing authority. We're here to help you resolve the matter as quickly as possible.

New Business

Will the updated overtime pay rules affect your business?

The Department of Labor released updated overtime pay regulations in May, and businesses are required to comply with the new rules by December 1, 2016. Are you ready?

Under overtime rules, workers who meet certain requirements and who earn more than a specified salary "threshold" generally don't qualify for overtime pay. The final rules increase the salary threshold, meaning you may need to pay overtime wages to employees who work more than 40 hours per week and earn less than the new amount.

The new initial threshold, effective December 1, 2016, is $913 per week, or $47,476 per year. That amount will be updated every three years, beginning in 2020. The rules say nondiscretionary bonuses and incentive payments can count toward as much as 10% of the threshold.

Now is the time to start reviewing your business's salary levels and payroll practices. Contact us for assistance.

You may benefit from an extra opportunity to claim this business tax credit

The Work Opportunity Tax Credit (WOTC) is a federal income tax break that can reduce your business's income tax when you hire workers from specified groups that typically experience high unemployment rates. Normally, as an employer, you have 28 days after the worker's first day to complete the necessary paperwork for the credit. But the 28-day rule was extended in March of 2016, for new workers that you hired between January 1, 2015, and May 31, 2016. For anyone hired within that time period, the application deadline was June 29, 2016 - and that deadline has now been extended.

In June, the IRS extended the 28-day rule for another three months, until September 28, 2016. You can qualify for the additional extension if you hired, or will hire, certain workers. For example, if you hired, or will hire, targeted employees (other than qualified long-term unemployment recipients) between January 1, 2015, and August 31, 2016, you can qualify. You'll also qualify if you hired, or will hire, workers who fit in the new targeted group of qualified long-term unemployment recipients between January 1, 2016, and August 31, 2016.

If you're a business owner, the extended date gives you an opportunity to review last year's personnel files for credit-eligible employees. The specific amount of the credit for an eligible new worker is dependent on the target group of the worker, how much you pay the worker, and hours worked. The credit is generally calculated as a percentage of an employee's first year wages. You'll claim the tax benefit on your year-end federal income tax return for your business, as a dollar-for-dollar reduction in the amount you owe. Your quarterly payroll tax returns and your payroll tax deposits are not affected.

Want to learn how WOTC can help your business save tax dollars? Give us a call. We'll be happy to explain the rules and help you complete the required paperwork.

What's New in Finances

Cosigning a loan can hurt financially and emotionally

Cosigning a loan for a friend or family member may seem like a good way to help your loved one establish credit or get back on track financially. But be sure to use your head as well as your heart to make the decision. Why? When you agree to cosign a loan, you become equally responsible for the debt. That means you will have to make payments and satisfy the loan if your friend or family member doesn't or can't - and a recent survey by an online credit card marketplace shows that 38% of cosigners had to repay some or all of a cosigned loan. Another financial impact: cosigning the loan negatively affected the credit score of 28% of cosigners because the other person didn't make payments or made them late. Cosigning has an emotional side too. According to the survey, 26% of cosigners said the experience damaged the relationship with the person they were trying to help.

Contact us before you make a financial commitment you may later regret. We have your best interests in mind.

Want to help your child buy a home?

If you have the funds and the desire to help your adult children buy a home, here are strategies to consider.

Lending. Assuming you have enough liquid assets, you can effectively act as the mortgage lender to your child by lending money to pay for the house.

Gifting. Another option is to give your child money for a down payment on a house. Making a gift for the down payment helps with estate planning too, if you're seeking to decrease the size of your estate. Under current tax law, you can make annual gifts of up to $14,000 per person. If both you and your spouse join in the gifting, you can give up to $28,000 with no gift tax liability

With some planning, you can also make larger gifts. For instance, if your child is married, you can also make gifts to your in-law. Collectively, a married couple could receive $56,000 in gift-tax-free cash for a home purchase. By making the gift over two years - say in December of year one and January of year two - you can double the amount to $112,000 toward the cost of the home.

Equity sharing. One more alternative: Equity sharing, which is essentially joint ownership of the home. Typically, you'll provide the down payment, and your child makes the mortgage payments, and pays for utilities, taxes, and other ongoing expenses. The home is jointly owned, and all of you agree on an equitable split of the appreciation in value if the home is later sold.

For details on these and other options available to you, give us a call.