CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – June 2016

Major Tax Deadlines For June 2016

* June 15 - Second quarter 2016 individual estimated tax is due.

* June 15 - Due date for calendar-year corporations to pay second installment of 2016 estimated tax.

* June 15 - Due date for calendar-year trusts and estates to pay second installment of 2016 estimated tax.

* June 30 - FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), must be received by the Treasury Department.

* June 30 - Due date for electronically filed Forms 1095.

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 may need to amend your estimated tax payments

If you're a calendar year taxpayer, the due date for the second installment of 2016 federal estimated income taxes is June 15. Now's the time to determine whether the amount you calculated back in April will be enough to avoid penalties. Why not wait until the end of the year to make adjustments? Because estimated tax payments are generally due quarterly, and penalties are assessed on amounts that are unpaid for each quarter.

Reasons to amend your estimates include changes in your income, adjustments, deductions, credits, or exemptions. Your goal is to pay enough estimated tax between now and the end of the year to avoid underpayment penalties but not so much that you have a large refund on next year's federal income tax return. Contact us for help.

Do you have to make estimated tax payments?

If most of your taxable income is from wages, the tax withheld from your paychecks is probably enough to cover what you'll owe on your federal return. However, if you have income from sources not subject to withholding, you'll generally have to make up any shortfall by paying quarterly tax estimates. For example, if you have recently switched from working as an employee to owning a business, you may need to make estimates to account for both the FICA and withholding portion of your taxes.

Another reason you may need to make estimates: Acquiring income-producing property. If the property provides enough extra income, quarterly estimates may be necessary even though taxes are being withheld from your wages, pensions, or retirement plan withdrawals.

Be aware that if you are supposed to make estimates and don't, the result may be a penalty plus interest. Here are the rules.

General rule. You'll generally need to make estimates if your withholding is less than 90% of your tax liability. There are exceptions, such as the "safe harbor" rules.

Safe harbor rules. When your adjusted gross income (AGI) is $150,000 or less, you can avoid underpayment penalties if you pay in 100% of last year's tax liability. If your adjusted gross income was more than $150,000 for 2015, during 2016 you generally have to pay 110% of the tax shown on your

2015 return. There's no penalty if your underpayment is less than $1,000. Special rules apply to farmers and fishermen.

Due dates. The first quarterly payment for 2016 was due on April 18. The second payment due date is June 15, and the third is September 15. The final 2016 payment is due on January 16, 2017.

If you have a significant change in your income, take time now to review your estimated payments. Contact us with any questions.

New Business

Big or small, your company could become a victim of payroll fraud

You've probably heard about the latest payroll scams, where thieves request employee data from company payroll departments via email messages purporting to come from the company's chief executive officer. Perhaps, as CEO of your own company, you're not overly concerned with this type of theft because you're pretty sure it can't happen to you. Unfortunately, unless you handle all aspects of payroll functions, there is room for fraud in every business. For example, a common payroll fraud is the failure to deposit tax withheld from employee checks. In this situation, the person responsible for making payroll deposits instead diverts the money to fund personal investments and expenses.

Methods to help prevent payroll schemes include separating accounting tasks among employees and making vacation time mandatory. Contact us for more suggestions and an analysis of your company's internal controls.

A midyear payroll review can prevent problems

As the last month of the second quarter, June provides a good opportunity for a midyear payroll review. Here are three areas to assess and update.

1. Form I-9. Make sure you have a completed Employment Eligibility Verification Form on file for each of your employees. Check that you and your employees used the most current form, signed the right sections, and met the deadlines for completion. Finally, make sure your company's retention policies are up-to-date. You're required to keep Form I-9 as long as an employee works for you. For ex-employees, retain the form for three years after the date of hire or one year after the date employment ended, whichever is later.

2. Retirement plans. If you choose not to offer a retirement plan, consider introducing your employees to myRA accounts. MyRA is an acronym for My Retirement Account, a no-fee retirement option that is similar to a Roth IRA. Your employees can contribute to a myRA each month, and the funds are invested in a government security and backed by the Treasury Department. As an employer, your only obligation is to facilitate the payroll deduction. You're not responsible for filing forms, making contributions, or tracking assets.

3. "Affordable Care Act compliance." Make sure you have procedures in place so you can track information needed to fill out Forms 1095 to report health insurance coverage. For 2016, these forms are generally required at year-end when you have 50 or more full-time employees, even if you do not offer health insurance.

Contact us for more information and for help completing your midyear payroll review.

What's New in Finances

Budgeting: Are you in the minority?

According to a 2016 Financial Literacy Survey conducted by Harris Poll, 40% of Americans track spending with a budget. That number has been pretty much the same for the past decade. Are you one of those 40%? Or are you one of the majority – the 60% who do not have a budget? If you don't currently have a budget, you may also be part of the 32% of Americans who say creating a budget is a top financial goal.

Mapping out your income and expenses is a wise move. If you'd like to set up a budget but are having problems getting started, let us help.

Even a simple budget can help you establish a nest egg

Have you tried to budget for retirement in the past? Maybe you did a good job of planning by looking over your expenses and determining where you could make changes to meet your retirement goals. And maybe you lived by your plan for a few days, or even a few weeks. But then the detail of tracking income and expenses got to be more than you were willing to deal with.

If that's the case, here's a simple way to make sure you have a nest egg by the time you're ready to retire: Set aside a fixed percentage of every dollar that comes in for retirement investing. For example, say you earn $100,000 a year. You could decide to save 10% of that amount. Do you think that saving

$10,000 a year might not make a difference? If you are age 35 and would like to retire in 30 years, $10,000 invested each year will accumulate to $697,000 in that time, assuming a 5% annual return. If you start at age 25, the accumulated value when you're 65 would be $1,268,000.

Perhaps you believe you don't have enough current income to establish a savings program of any size. Are you sure? Ask yourself what you would do if you lost your current job and had to take a job that paid less. Chances are you'd figure out where to cut your spending. Why not apply that discipline now and make your current income provide both a current living and an investment in your retirement?