



Online Advisor – September 2016

Major Tax Deadlines For September 2016

- * September 15 - Due date for individuals to pay third quarter installment of 2016 estimated tax.
- * September 15 - Due date for filing 2015 tax returns of calendar-year corporations that had an extension of the March filing deadline.
- * September 15 - Due date for filing 2015 tax returns of calendar-year partnerships that had an extension of the April filing deadline.
- * October 1 - Deadline for businesses to adopt a SIMPLE retirement plan for 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

Did you miss the 60-day rollover deadline?

The 60-day rollover deadline, also known as the 60-day rule, applies when you take a distribution from your IRA with the intention of "rolling it over," or depositing it into another IRA or retirement plan. To comply with the rule, you're required to complete the rollover within 60 days of receiving the distribution. Missing the deadline generally means reporting the distribution as income and perhaps paying a penalty, unless you request and qualify for relief from the IRS.

However, under a new procedure, you may be able to self-certify that you're eligible for a waiver if one of eleven allowable reasons applies to you. Allowable reasons include an error by your financial institution, a deposit to an incorrect account, or a death or serious illness in the family. Contact us for information about the new relief.

What's in a number? Understand your EIN

The Internal Revenue Service has your number - your employer identification number, or EIN, that is. Your EIN is a nine-digit number that you use to identify your business when filing tax returns or making tax payments.

"Who needs an EIN?" You could need an EIN even if you don't have employees, and entities you might not think of as businesses, such as employee benefit plans, estates, or trusts, may need one. For instance, say you're appointed as trustee of an irrevocable trust that receives or distributes income. If the trust is required to file a tax return, you'll need an EIN.

"When does your EIN change?" Generally, your EIN lasts for the life of your business, and you can keep the same number when you change the name of your business. But a change from one form of business to another - incorporating your partnership or sole proprietorship, for example - means you'll have to request a new identification number.

"Can you have more than one EIN?" When you own more than one corporation, each needs an EIN, even if you're the sole owner. Partnerships also need separate EINs. However, when you conduct your sole proprietorship as a limited liability company and you have no employees, you can use your social security number instead.



You have our number, so give us a call. We'll be happy to determine whether you need an EIN, and to help you complete the forms to request one if you do.

New Business

Make sure your S corporation documents contain the right words

A tax law requirement that S corporations must meet is the "one class of stock" rule. S corporations are generally considered to meet the rule when shareholders have identical rights to proceeds from distributions or a liquidation. What happens when an S corporation is deemed to have more than one class of stock? The rules say the S election terminates - but relief may be available in some situations.

Recently, an S corporation that made unequal distributions to shareholders asked for IRS guidance on whether the distributions meant the loss of status as an S corporation. The corporation made the distributions due to an error in ownership percentage information and corrected the amounts paid to shareholders when the error was discovered.

In part because the corporation's governing documents, including Articles of Incorporation and Shareholder Agreements, specified that distributions were to be identical, the IRS said the corporation's S election had not terminated.

Contact us if you have any questions about the tax rules that apply to S corporations. We're here to help.

Is S corporation status right for your business?

When you incorporate your business, one decision is whether or not to make an election to become an S corporation. By choosing to make the election, you switch from a regular corporation, known as a C corporation, which is taxed as a separate entity, to an S corporation, where profits and losses are taxed on the individual tax returns of shareholders. Put another way, an S corporation retains the limited liability feature of a corporation, but transfers the tax treatment on income and losses to the individual level.

When does the election make sense? In cases when your individual tax rate is lower than the corporate rate, passing income to your personal federal income tax return means less overall tax. Another example: The difference in the way losses are handled. In a C corporation, losses can offset future



profits. Unfortunately, in a start-up business, generating a profit may take years. Shareholders in an S corporation can use losses to offset other income, as long as they have basis in the business

So what is the downside? From a tax standpoint, C corporations may be able to provide more tax-free fringe benefits to shareholder-employees than S corporations can. In addition, S corporations must meet certain rules to avoid terminating the election. For example, the S corporation can have only a limited number of shareholders, all shareholders must be U.S. residents, and shareholders must generally be individuals.

Do you have questions about whether S corporation status is right for your business? Contact us. We can help guide you through the tax benefits and drawbacks.

What's New in Finances

Stay in control of your debt

Have you been taking on more debt lately? If so, you have plenty of company. According to a report released by the Federal Reserve Bank of New York, Americans stepped up borrowing for auto loans and credit card debt during the quarter ended June 30, 2016. Total household debt, including mortgages and student loans, was more than \$12 trillion, an increase of \$35 billion from the first quarter of 2016. The report also shows that late or overdue payments have been declining.

Whether you think the increase in debt is good news because credit is more widely available, or bad news if borrowers overextend the use of credit, being in control of your finances means managing your money efficiently. Give us a call. We have tips and suggestions that can put you in charge of your financial life.

Check your financial fitness

How can you become financially fit? Here are suggestions for improving your fiscal muscles.

Get your budget in shape. Use your spending history to create a meaningful budget, then stick to it. Resolve not to spend more than you make, and remember that what you "make" is your take-home pay, not your gross salary. Budget for savings too. Pay yourself first. Set up a minimum monthly amount that you put into savings at the same time you pay your other bills.



Slim down your debts. Where possible, consolidate or refinance existing debt with more favorable terms. Concentrate on eliminating personal debt first because interest you pay on personal loans generally has no tax benefit.

Build up your benefits. Review your employer's benefit package. Are you participating in every program that you can? Employer plans generally have favorable tax benefits that will make your dollar go further.

Tune your investment portfolio. Do your investments fit your current financial situation, age, and risk tolerance?

Strengthen your insurance coverage. Do you have adequate coverage for property, disability, life, and health? Avoid overlapping or excessive coverage.

Coordinate your estate plan. Does your will allow your assets to pass according to your wishes? Have you provided for guardianship of your minor children if something happens to you? Do you have a power of attorney that will give a person of your choice the ability to act for you in the event you are unable to act on your own behalf? Have you completed a health care proxy or living will?

Maintain your recordkeeping. Set up a recordkeeping system that tracks the income and deductions reported on your tax return so you can capture all deductions you are entitled to take.

Maintaining financial wellness, like physical wellness, is a continuous process. The sooner you start, the more likely you are to succeed. Schedule a meeting with us for assistance in reviewing your tax, financial, and estate plans.

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