



Online Advisor – August 2017

Major Tax Deadlines For August 2017

For AUGUST 2017

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

I need a copy of my tax return

Retaining copies of your federal tax return is important. Not only will you need the return in case of audit, but the tax return is often used to secure student aid, obtain loans, purchase a home or business, and more. So, what are your options if you cannot find a copy of your tax return?

E-filed tax returns have their data stored in software. One of the benefits of e-filed tax returns is that there is a digital copy of your tax information. If necessary, another digital copy could be produced.

IRS requested transcript. The IRS can provide you with a transcript of your current tax return or transcripts from the prior three years. To request a transcript from the IRS using their online tool, go to www.irs.gov and search for their “order a transcript” tool. Information will be provided to you within approximately 5 to 10 business days.

Request an actual copy. If you require an actual copy of your tax return, one can be provided for \$50 by filling out Form 4506. But plan accordingly, as it can take up to 75 days to process your request.

Copies of informational returns. If you are missing a W-2 or 1099, you can also contact the company that originally issued the tax form. They will have these forms on record for their own audit purposes.

Copies sent to third parties. Your request for transcript can also be sent to a third party with your authorization. If you wish to take this route, please note that you may lose some control as to who has this personal information.

Understand the different transcripts. When making a request for a transcript from the IRS, you need to understand what you are requesting.

Return transcript. This includes most of the lines of your tax return as originally filed.

Account transcript. This is the status of your tax account. It includes any balance owed on your account, record of any payments, and adjustments after the return was filed.

Record of account. This is a combination of the return transcript and the account transcript.

If need be, you can also request a verification of non-filing of a tax return. Call if you have questions.



Is your HSA a retirement tool? - The good, the bad, and the ugly

Health Savings Accounts (HSAs) are a great way to pay for medical expenses, and since unused funds roll over from year to year, the account can also provide a source of retirement funds in addition to other plans like 401(k)s or IRAs.

But be aware HSAs can also come with significant disadvantages and less flexibility when compared to other retirement investment tools.

The Good

HSAs work best when they are used for their designed purpose: to pay for qualified medical expenses. Neither your original contributions to an HSA nor your investment earnings are taxed when used this way.

This makes HSA funds valuable, given that medical costs are one of our largest expenses as we age. The Employee Benefits Research Institute estimates the average 65-year-old couple needs \$264,000 to pay for medical care over the course of their retirement. Being able to cover that amount with pre-tax dollars greatly extends the value of retirement savings.

In addition, unlike other retirement plans, there is no required minimum distribution of funds after you reach age 70 ½ like there is with 401(k)s and IRAs.

The Bad

First, you can only contribute to an HSA if you have a high-deductible health insurance plan. The downside of these plans is that you will pay more out of pocket each year when you need to use health services, which could make it difficult to build a balance within your HSA.

Second, contributions are limited. Annual contributions to HSAs are limited to \$3,400 a year for individuals and \$6,750 a year for families. These limits get bumped up by \$1,000 for people aged 55 or older. You also may only contribute to an HSA until your retirement age.

Finally, HSAs typically have fewer investment options compared with other investment tools, including 401(k)s and IRAs. The accounts often have high management and administrative fees. All this makes building HSA earnings tough to do.



The Ugly

Before you reach age 65, non-medical withdrawals from HSAs come with a whopping 20 percent penalty, plus they are taxed as income. Even after age 65, both contributions and earnings are taxed when they are withdrawn for non-medical expenses.

In this way, HSAs compare unfavorably with 401(k)s and IRAs, which end their early withdrawal period earlier, at age 59 ½. They also have lower early withdrawal penalties of just 10 percent.

HSAs are a powerful tool to help manage the ever-rising costs of health care. Knowing the rules and the costs associated with using these funds outside of medical expenses can help you position an HSA with your other retirement options

What's New in Business

Learn from the 'best places to work'

Google, Facebook, and Southwest Airlines, are among the top five of job-search site Indeed's "Best Places to Work in 2017" list. Aside from bragging rights, what do these companies have in common? What can you learn from them? You may not have the resources they have, but you can incorporate some of their ideas into your company's culture.

Respect. The best companies cultivate a culture of respect in the workplace, according to a poll conducted by the Society for Human Resource Management. Leaders listen to staff and vice versa. Employees feel valued by their leaders and their coworkers regardless of their background, ethnicity, religion, sexual orientation or gender.

Opportunities for growth. Leaders at the best companies evaluate staff regularly and look for ways to challenge them in new areas. Many of these companies have developed mentorship or cross-training programs to prepare staff for more advanced roles.

Communication is key. At the best companies, leaders and staff talk *constantly*. The organization regularly seeks feedback about its culture, practices, and operational challenges. Leaders are accessible and open to discussion about business problems and successes.



Clear goals. The best companies openly state and clearly define objectives, and the steps required to achieve them, according to *Fortune* magazine. Status updates or one-on-one meetings between employees and their leaders allow regular discussion about progress towards employees' individual goals.

Accountability. The best companies make sure workers are confident they'll be rewarded for performance and held responsible for achieving their objectives, according to *Fortune*.

Bottom line: When you treat your employees with respect and keep challenging them, they're less likely to leave for greener pastures. Not only that, they'll tell their friends that your company is a great place to work.

Auditing dues and subscriptions can improve your bottom line

They seem harmless - a small monthly trade magazine subscription or a quarterly software fee - but with a number of employees making these purchases, over time the expenses can really add up. And because of their relatively low cost and regular appearance on credit card or bank statements, they are less likely to be noticed. So how can you "audit" your subscription and membership expenses?

Isolate the charges. First, isolate all subscriptions, dues, and fees into one account on your general ledger. Collecting all these expenses into a single account will make it much easier to identify waste than if they are lumped into a general category like "office supplies".

Expense justification. Ask employees who initiate these charges to justify them annually. Consider issuing individual company credit cards to your employees for small purchases, including subscriptions. Not only will this help identify the source of a charge, it will leave the decision of whether or not to cancel on the person most familiar with the expense.

Watch automatic payments. You may want to eliminate subscriptions paid automatically. Even though such arrangements are convenient, these charges are more apt to continue without question, especially those pesky once-a-year fees that show up without prior notice.

Potential risk. Subscriptions for technology and file storage are more difficult to assess, but carry a higher risk. For example, it can be convenient and relatively inexpensive for an employee to set up online storage of their electronic files. In addition to adding up over time, these subscriptions can pose a security risk when critical company data is stored offsite and under the control of one employee.

When it comes to memberships and subscriptions, it all boils down to understanding what you are paying for and how it is being used. Taking the time to audit this expense category can save big dollars down the road.



What's New in Finances

Don't forget to review your insurance

When was the last time you reviewed your insurance coverage? An annual insurance review makes good financial sense. Here are points to consider as you review your various insurance policies.

Health care. If you have an individual policy, investigate whether your employer, union, or professional association offers a less expensive group policy.

Long-term care. Long-term care insurance may be advisable if you're between the ages of 55 and 72 and you don't have enough assets to fund long-term care.

Life. The protection you need depends on the number of people who rely on you for support. Whole, variable, and universal life policies combine insurance coverage with an investment future. If you want insurance only, consider term life.

Disability. Studies show that less than one in six Americans own enough disability insurance to provide a comfortable lifestyle during a two-year disability. Disability coverage is generally limited to 60 to 70 percent of salaried income. If you have adequate emergency funds, electing a longer waiting period for coverage to kick in will reduce your premiums.

Homeowners. With fluctuations in the real estate market, it's possible that your home is now under- or over-insured. Coverage equal to the current replacement cost (excluding land), not its original cost, is advisable.

Auto. Liability insurance is a must, but consider dropping collision coverage if you can afford to repair or replace the vehicle on your own. Collision insurance is probably required if your car is financed or leased.

Umbrella liability. Personal liability coverage is included with most homeowner and auto policies. However, if you own substantial assets, umbrella coverage will provide additional protection at minimal cost.

Unnecessary insurance. Avoid policies with narrowly defined coverage (such as credit, travel, or cancer insurance) if they duplicate other coverage.

For assistance in your insurance review, give us a call.



Becoming a smarter renter

Renting an apartment, condo, or house, leasing a piece of equipment, renting business property, or leasing a car all involve the common practice of renting something that is owned by someone else. This experience can easily become a nightmare with a bad landlord or lack of understanding of your obligations. Here are some hints to become a smarter renter.

Read all agreements. Read the lease agreement thoroughly prior to signing. Ask for clarification of anything you do not understand. Look for clauses in the agreement that might suggest this property owner has problems with its current tenants. If the agreement seems unfriendly, don't sign it.

Negotiate up front. Be ready to negotiate your lease terms up front. If anything is unclear in the lease, have it clarified and put in writing. Do not depend on word of mouth. Be very clear about security deposits, first and last month's rents, and services included in the lease.

Follow the terms. Be the tenant who pays a little early, not the one who always pays late. That way if you ever need a little extra time to pay, you have established the necessary trust to do so.

Proactive disclosure. If you think you will need a temporary exception to part of the lease, try to include it in your upfront negotiations. If this is not possible, consider proactively disclosing the exception to your property owner. This will help build trust and a reputation as being a good tenant.

Keep the property clean. This is especially important if you have a pet. When landlords come into your home, you will build confidence if the place looks like you treat it as if you owned it. The same is true with rental equipment. Always return it cleaner than you received it.

Know the owner and neighbors. Building a relationship with the property owner and your neighbors helps. If your neighbor has a problem with you, wouldn't you rather have them come to you than to your landlord? Establishing a good working relationship with a landlord will help you when you need help with a problem in your home or with the equipment you rent.

Leave with a smile. This is especially true for home and vacation rentals. When you leave, have the property cleaned and hassle-free for the landlord. Request a reference from the landlord for future rentals.

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.