



Online Advisor – June 2017

Major Tax Deadlines For June 2017

For JUNE 2017

- * June 15 - Second quarterly installment 2017 individual estimated tax due
- * June 15 - Second quarterly installment 2017 estimated tax for calendar-year corporations due
- * June 15 - Individual tax filing deadline for U.S. citizens living or serving in the military overseas

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

Keep your audit fears in check

Getting audited by the IRS is no fun. However, your chances of being audited are probably lower than you think. A look at the latest IRS statistics for 2016 reveals some interesting and reassuring facts about the risk of an IRS audit.

Audits are becoming less common. The number of individual tax returns the IRS audited fell to a 12-year low last year, to just above 1 million. Audits have been steeply declining over the last five years, which the IRS commissioner said was due in part to declining budgets and a smaller workforce.

Audits target the rich. It's a fact: IRS audits target the super-rich. The statistical chance of being audited increases dramatically for people of higher income levels.

Missing data can get you audited. High income isn't the only thing that gets you audited. Any missing data on your return can also trigger an audit, since the IRS usually receives a copy of the same tax forms you get every year.

Standing out gets you audited. The IRS takes a close look at business expenses, charitable donations, and high-value itemized deductions. They have statistical data on what amounts are typical for various professions and income levels. If your return stands out from what is "normal," it may be flagged for review by the agency's computer system.

More audits are done by mail. If you face an audit, most likely it will be done by mail. Only about one in four IRS audits are field audits conducted in person by an IRS agent. The most common issues, such as math errors or missing data, are done through mail correspondence.

If your issues are more complicated, you may face a field audit – and you may owe more to the IRS. The average field audit recommended the individual pay an additional tax of nearly \$19,000, while the average correspondence audit recommended a payment of less than \$7,000.

Donate stock to lower your tax burden

With U.S. equity valuations near historically high levels, now might be an opportune time to take advantage of the tax benefits of donating long-term appreciated stock to a qualified charity. Directly



donating a winning stock you've held for at least one year provides greater tax benefits than writing a check to your favorite cause.

Higher deduction. Your charitable gift deduction will be equal to the market value of the stock on the date of your donation, rather than what you originally paid for it.

No capital gains tax. You avoid paying capital gains tax on the unrealized gains of the stock, because it is transferred directly to the charity rather than sold. That also means the charity gets a bigger gift.

Example: Greg Givesalot bought 50 I.M.Great shares two years ago at \$100.00 a share. Its shares have appreciated since then to \$150.00 a share, giving him a long-term capital gain of \$2,500 if he were to sell today. Instead, Greg avoids the capital gains tax by donating the shares to the Red Cross and he deducts the full market value of \$7,500 as an itemized deduction on his tax return.

Some tips to keep in mind:

- To maximize your charitable donations, donate only long-term appreciated stock (stock you've held for one year or longer). That way, you can deduct the full market value of the stock, rather than its cost basis (what you originally paid for it).
- If it's a losing stock, it's usually better to sell it instead of donating directly. That's because selling a losing stock will allow you to take a capital loss deduction on your return. Certain limits apply.

What's New in Business

Reasons to incorporate your business

Here are some reasons you may want to consider incorporating your growing business.

Protect your personal assets from creditors. When you operate your business within a corporation, creditors are often limited to corporate assets to satisfy a debt. Your home, savings, and retirement accounts are no longer fair game.

Provide a personal liability firewall. The corporate form can help protect you against claims made by others for injuries or losses arising from actions of your business.



Issue shares of stock. You can help build your business by issuing shares to new investors, or by offering stock options to key employees as a form of compensation.

Gain tax flexibility. A corporation can provide you with more tax flexibility. Deliberate planning can help optimize the taxable division between corporate income, dividends, and your personal wages.

Enhance your business presence. Being incorporated sends a signal that your business is a serious enterprise and it could open doors to opportunities not offered to sole proprietors. Consumers, vendors, and other businesses often prefer to do business with incorporated companies.

If you are still going over the pros and cons of incorporating your business, pick up the phone. Together, we can complete a thorough tax review that will help shed light on the impact such a move will have on your business situation.

Is your business waving a red flag at the IRS?

The chance the IRS will target your business for a federal tax audit is usually low. However, if your tax return for your business includes certain red flags, you boost your odds of being audited. Here are a few of the most common audit triggers that are likely to grab the attention of the IRS.

Continuous losses

If you report a net loss on a Schedule C in more than two out of the last five years, the IRS may consider your business a hobby. If deemed a hobby, you can deduct expenses only up to the amount of your hobby's total income. Enjoy rebuilding cars? Great. But if you never turn a profit, don't expect the IRS to consider it more than a hobby.

Questionable travel and entertainment expenses

This is an area that is frequently abused, so IRS auditors tend to examine travel and entertainment costs with greater scrutiny. If you claim expenses for lavish parties, hunting trips to Alaska, or taking your buddies to the ball game, be sure you can thoroughly document a legitimate business purpose.

Failure to report income

If you own a business that transacts mostly in cash, such as a convenience store, nail salon, or small restaurant, the IRS will be on the lookout for unreported revenue. No business operates for long without sufficient revenue to cover its expenses. If the IRS suspects that revenue is under-reported, you could face thousands of dollars in taxes, fees, and penalties.



Round numbers

It happens: Sometimes your sales figures actually are big round numbers, but if the math on your business tax return can be computed in your head without benefit of a calculator, IRS auditors may be skeptical. Report actual amounts. Don't fudge.

Above all, maintain appropriate documentation to support any business deduction claimed on your tax return. You'll be glad you did if you ever face an audit.

What's New in Finances

4 tips to landing your dream home in a seller's market

Here are some suggestions to landing your dream home in our current real estate market.

1. Be nimble, be flexible. Try to investigate new listings quickly – within hours of their first posting, if possible. If you're interested in a house but an inspection finds a few flaws, you may have to be flexible about accepting a house with a few quirks or in need of some repairs.

2. Make a strong offer. A seller's market isn't a time to lowball your first offer on a house you want. If you've prepared and set your expectations below your minimum price range, you should be able to make a strong offer to ensure you are among the most attractive bidders. You shouldn't wildly overpay, but making a strategic offer above the listing price may sweeten the deal enough to close quickly.

3. Earnest money. You may consider offering a meaningful earnest money component to your offer to show you are serious. Just understand that this money is put at risk if you later change your mind.

4. Few strings. Try to make your offer as simple as possible. The more contingencies, the more room for someone else to sneak in and snap up your target home. Flexible move-in dates may make your offer more attractive to the seller. Having to sell your home before buying theirs may create a snag versus another offer.

Good luck on your search. There are many resources available to you to navigate the home-buying waters. Spend some time finding the resources that work best for you and your situation.



Don't overlook curb appeal

If you want to improve your home's market value, curb appeal matters. The condition of your front yard, entry area, driveway, and sidewalks will color the impression of everything else a potential buyer sees during a visit. Homes with great curb appeal usually command higher prices and spend less time on the market. Luckily there are simple, inexpensive ways to help your home impress.

1. **Make it sparkle.** Walk around the outside your house and take note of what looks dirty. Parts of your house that may get grimy over time include windows, downspouts, gutters, siding, and garage doors. These can usually be tackled with soapy water and a scrub brush. For a bigger job, consider using a pressure washer.
2. **Coat of paint.** Updating the color of your front door, trim or shutters may help your home look newer and more modern. A gallon of exterior paint costs about \$30, so this will probably cost less than \$100.
3. **Replace hardware.** Don't overlook your house numbers, entry door locksets, doorbells, mailboxes, or light fixtures. These elements add visual interest, but can detract from your home's appeal after they show years of wear. Replace, clean, or paint pieces that have become dingy or out of date.
4. **Mow the lawn.** It's hard to stay on top of mowing when the weather warms up, but a mangy lawn riddled with dandelions won't make your home attractive. Try to cut it once a week to keep it looking neat.
5. **Add landscaping.** Planting a tree is a great way to add long-lasting dimension and appeal to your yard. Consider flanking your front door with trees or shrubs. Add a pop of color by placing flower planters on your stoop or adding window boxes to front-facing windows.
6. **Install landscape lighting.** Outdoor landscape lights lining a sidewalk or driveway provide safety and security, but they can also have big impact on your yard's appearance. If you're unable to install wiring for electric lights, solar-powered light fixtures can do the trick.
7. **Incorporate outdoor art.** Show a little of your personality by adding some tasteful features, such as a birdbath, beautifully arranged rocks, a sculpture, or wind chimes.
8. **Upgrade fences and railings.** If you have privacy fences or railings leading up to your front door, think about repainting or replacing them.



9. **Fix the driveway.** Cracked asphalt is not doing you any favors. Fill cracks with asphalt patch and coat the surface with blacktop refinishing compound.

10. **Hide your trash bins.** Everybody needs trash bins, but nobody likes to look at them. Store them in your garage or hide them behind a fence or enclosure.

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