CIRIMELLI, PYLE & ASSOCIATES LLP
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# Online Advisor – March 2017

## Major Tax Deadlines For March 2017

**For MARCH 2017**

* March 1 – Farmers and fishermen who did not make 2016 estimated payments must file 2016 tax returns and pay taxes in full.

* March 2 – Large employers must furnish Form 1095-B and Form 1095-C to employees.

* March 15 – 2016 calendar-year S corporation income tax returns due.

* March 15 – 2016 partnership returns due.

* March 15 – Deadline for calendar-year corporations to elect S corporation status for 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.

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# What's New in Taxes

## Current law still requires you to have health insurance

On January 20, President Trump signed an executive order asking federal agencies to reduce the economic burden the Affordable Care Act (ACA) puts on American citizens.

Unfortunately, this executive order caused confusion. Many people wondered whether fines would no longer be imposed or if rules no longer needed to be followed. While this may impact how some federal departments behave, it does not impact the law. This includes:

- The requirement to have health insurance
- The requirement to pay a shared responsibility tax if you do not have continuous health insurance coverage
- The ability to receive a health insurance premium credit if you qualify
- Possible health insurance credits for qualifying small businesses

It's important to realize that unless tax laws actually change, you are expected to follow the laws as they are currently written.

**Your tax return can be corrected**

You may have felt the dread of realizing you made a mistake on your recently filed tax return. Perhaps you received late documentation that could be used for a deduction. Sometimes you can receive a corrected year-end statement for one of your investment providers. The good news is the IRS allows you to correct your return for up to three years after you file your original return.

Oversights and errors are not uncommon, but you need to inform the IRS you are correcting the return by filing a Form 1040X. This amended tax return details what should be changed and it allows you to explain the reason for your change.

Filing an amended return doesn't extend the time the IRS has to examine your returns unless your original or amended returns were fraudulently filed. The IRS generally has three years from the date your original tax return was due or from the time it was filed to examine your returns (both original and amended) and to adjust your tax.

While there are exceptions, generally if your amended return is properly prepared, your chances of being audited are probably no greater than they were on your original return.
It's important to consider the size of the refund or balance due before you rush to amend your return. If you are owed a small refund, it may actually cost you more to amend your tax return than to leave the return as originally filed.

If you've discovered income or deductions that you should have reported on your income tax return, give us a call. We can help you set the record straight and pay only the tax actually due.

# New Business

## Partnership tax returns due March 15

As a reminder, please recall that partnership tax returns are due on March 15, one month earlier than last year. The change is important to note, as filing the tax return late could result in unexpected penalties. The new due date now aligns filing Form 1065 with other flow-through entities like S corporation Form 1120S. If you get caught by surprise by this earlier filing date, contact us immediately.

# Business startup – The franchise option

Thousands of new businesses are created every day, and many are franchises. Buying a franchise involves risk, just like any other business acquisition, so do some research before you decide if it's the right move for you. Here are some initial thoughts as you explore this option:

**Key benefits**
A franchise gives the buyer the right to use a trademarked name in selling a product or service. The purchase of a franchise includes training, location assistance, inventory, business systems and advertising support. In addition, most franchises have a proven business model and a record of success. What would take you millions of dollars to accomplish from scratch, has been tested and proven by successful franchises..

**Some concerns**
Buying a franchise versus buying a business or starting one on your own can have its downsides. One of the biggest concerns is cost. First, you must pay an initial franchise fee ranging from thousands to

hundreds of thousands of dollars. Second, you also pay an ongoing royalty to the franchiser, which is typically a percentage of sales. Third, there are often separate payments and fees you're required to pay for advertising campaigns and administrative projects. Finally, you lack operational freedom. You often must buy from specified vendors, despite the cost. You may think you have a better way of doing something, but are not given the freedom to do it.

**Research is key**
Before committing, research your chosen franchise opportunity. Start by looking over its franchise disclosure document. This is a legal agreement that includes extensive details about the franchise. Review the franchise territory size, training offered, competition, franchisee turnover, and termination rights. Interview as many current franchise operators as possible. Ask them if they are profitable, and if so, how long it took them to become profitable. Find out if they're satisfied with the support they receive from the franchiser.

Before making a franchise decision, ask yourself some critical questions. Are you really interested in the franchised product or service? Will you be able to devote the necessary time to the business? Do you have the financial resources to get the business up and running? Are the franchise name, training, and support worth the fees? Can you afford all the associated fees? If your answers are positive, a franchise opportunity may be the right route for starting your own business.

# What's New in Finances

## Two steps to reducing your credit card debt

The Federal Reserve recently announced that it expects to raise interest rates three times in 2017. These rate hikes could affect interest rates on your credit cards, so now may be the perfect time to get serious about paying your credit cards off.

**Here's a two-step program to reduce your debt:**

**Step 1. Do your homework.** Start by pulling together all your recent credit card statements. Make a list of the balance you owe on each card, the interest rate, and the minimum payment due. Also note the amount of interest you were charged in the latest month..

Look back in your records and add up the balances from a year ago. If the total you owe has increased in the last year, it means you're falling further behind. That's even more incentive to focus on debt reduction.

Now figure out the total payment you can afford to make on your cards each month. Stretch you budget as far as possible. Note whether you can make more than the minimum payment. If not, you may need to get advice from a reputable nonprofit credit counseling service.

**Step 2**. **Follow through on your plan**. Make the largest payment your budget will allow on the card with the highest interest rate. Do what you can while staying current with the minimum payments on all your other cards. When the balance on the first card is paid off, don't use it again. Move on to the card with the next highest interest rate. Meanwhile, make the commitment to use credit cards only when absolutely necessary and put any new charge on the card with the lowest interest rate..

Check your progress after a few months. If necessary, modify your plan and stretch your budget again to increase your payments. Paying off credit card debt takes time and isn't easy, but you'll be more prepared for potential economic uncertainty ahead.

**Six facts about Traditional IRAs everyone should know**

Individual Retirement Accounts (IRAs) are among the most common accounts used for retirement savings. Almost anyone can have one and they offer great tax advantages. Here are six facts about Traditional IRAs everyone should know.

**Fact 1:** You can contribute up to $5,500 to a Traditional IRA ($6,500 if age 50 or older) for 2016 and 2017, as long as your taxable compensation for the year was at least that much.

**Fact 2:** Non-working spouses can contribute to Traditional IRAs as long as the couple files a joint return and the working spouse’s compensation equals or exceeds the sum of the non-working spouse’s contribution and the working spouse’s contribution.

**Fact 3:** When you contribute to a Traditional IRA, you may be able to deduct some or all of your contributions from your taxable income.

**Fact 4:** Your income level can limit your IRA tax benefit. There is no income limit for Traditional IRA contributions, but not everyone is eligible to receive a tax deduction. If you are covered by an employer-sponsored retirement plan, such as a 401(k), your deduction may be limited. For 2016, single taxpayers can take a full deduction with modified adjusted gross income (MAGI) up to $61,000 and a partial deduction up to $71,000 ($62,000 – 72,000 in 2017). Married taxpayers filing jointly can take a full deduction with MAGI up to $98,000 and a partial deduction up to $118,000 ($99,000 – 119,000 in 2017).

**Fact 5:** Everyone can consider making a contribution. Even if your income exceeds the deduction limits, you can still make nondeductible contributions. Those nondeductible contributions may be withdrawn tax-free when you take distributions in retirement. Since you effectively paid taxes on the money in the year of the contribution, you don't have to pay taxes again later.

**Fact 6:** You may be able to make contributions for a prior year. You have until the tax return filing deadline (not including extensions) to make IRA contributions for the tax year. Therefore, you have until April 18, 2017, to make contributions for 2016.

Of course, there are other considerations when determining if a Traditional IRA is right for you. Call our office with questions.

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