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Leslie A. Cesario, Ltd.
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Planning Your IRA Withdrawal?

Article Highlights:

- Early Distributions
- Distributions After Age 59.5
- Minimum Required Distributions After Age 70.5
- Excess Accumulation Penalty
- Estate Tax Issues

Advance planning can, in many cases, minimize or even avoid taxes on IRA distributions and other qualified plan distributions. When contemplating future retirement and when to begin tapping taxable IRA and other qualified retirement accounts, taxpayers need to consider a number of important issues.

Early Distributions (before 59.5) - If funds are withdrawn before reaching age 59 ½, the taxpayer is also subject to a 10% early withdrawal penalty (and state penalties if applicable) in addition to the income tax on the IRA distribution, unless what is referred to as the substantially equal payment exemption is utilized. Under this exception, an early retiree can begin taking substantially equal payments at least once a year over the owner's life or joint lives of the owner and designated beneficiary. The payments must not cease before the end of the five-year period beginning with the date of the first payment, BUT after the taxpayer reaches age 59.5.

Age 59.5 to age 70.5 Distributions – After attaining age 59.5, an individual can take out of their IRA as much or as little as he or she wishes in any year until reaching age 70.5. This withdrawal liberty leaves the retiree to plan his or her distributions to minimize taxes. Techniques involve matching distributions with no- or low-income years.

Age 70 ½ and Older – Once a taxpayer reaches age 70 ½, he or she must withdraw at least a minimum amount from their Traditional IRA each year. A taxpayer who fails to take a distribution in the year age 70 ½ is reached, can avoid a penalty by taking that distribution no later than April 1st of the following year. However, that means the IRA owner must take two distributions in the following year, one for the year in which they reached age 70 ½ and one for the current year. Distributions that are less than the required minimum distribution for the year are subject to a 50% excise tax (excess accumulation penalty) for that year on the amount not distributed as required. The excess accumulation penalty can generally be abated by following IRS abatement procedures.

Quite frequently, taxpayers have multiple IRA accounts in addition to one or more types of other retirement plans. This gives rise to a commonly asked question, "Must I take a distribution from each individual account?" For purposes of the annual required minimum distribution, a separate distribution must be taken from each type of plan. However, a taxpayer may have multiple accounts for each type of plan, which for tax purposes are treated as one plan. For example, if you have three IRA accounts, the three separate accounts are treated as one for tax purposes, and the distribution can be taken from any combination of the accounts.

Generally, the minimum amount that must be withdrawn in a particular year, after reaching age 70 ½, is the total value of all IRA accounts (as determined on December 31st of the prior year) divided by a factor based on the owner's age from the table below, illustrated for ages 70 – 87 only (the complete table goes to age 115 and over).

Minimum Distribution Table

Age	Factor	Age	Factor
70	27.4	80	18.7
71	26.5	81	17.9
72	25.6	82	17.1
73	24.7	83	16.3
74	23.8	84	15.5
75	22.9	85	14.8
76	22.0	86	14.1
77	21.2	87	13.4
78	20.3		
79	19.5		

Estate and Beneficiary Considerations – When planning your distributions, keep in mind that the value of your undistributed IRA account will be included in your gross estate when you pass on, and depending upon the size of your estate, it may be subject to inheritance taxes. In addition, the inherited IRA distributions will be taxable to the individual who inherits the IRA. Therefore, it could be appropriate to utilize the IRA funds first and then dip into other assets after the IRA funds have been depleted. On the other hand, funds left in an IRA do continue to accumulate tax-free which might be better in certain circumstances.

If you would like assistance with your tax planning needs or to develop an IRA distribution plan, please call this office for an appointment.

Forgot Something on Your Tax Return? It's Not Too Late to Amend the Return

Article Highlights:

- Frequently Overlooked Income and Deductions
- Three-Year Refund Statute of Limitations
- State returns
- Interest & Penalties
- Filing Instructions and Suggestions

If you discover that you forgot something on your tax return, you can amend that return after it has been filed. The need to amend can be because of:

- Receiving an unexpected or amended K-1 from a trust, estate, partnership, or S-corporation.
- Overlooking an item of income or receiving a corrected 1099.
- Failing to claim the correct advanced premium credit because of an incorrect 1095-A.
- Forgetting about a deducible expense.
- Forgetting about an expense that would qualify for a tax credit.

These are among the many reasons individuals need to amend their returns, whether it is for the just-filed 2014 return or prior year returns.

Here are some key points when considering whether to file an amended federal (Form 1040X) or state income tax return.

1. If you are amending for a refund, you should be aware that refunds generally won't be paid for returns if the three-year statute of limitations from the filing due date has expired. Thus, with the exception of amending a return to carry back a business net operating loss (NOL), the IRS will pay refunds only on returns from 2012 through 2014. Some states have a longer statute. The last day to file an amended 2012 return for a refund is April 15, 2016.
2. Generally, you do not need to file an amended return to correct math errors you made on the return. The IRS or state agency will automatically make those corrections. Also, do not file an amended return because you forgot to attach tax forms such as W-2s or schedules. The IRS or state agency will send a request asking for the missing forms.
3. If you are filing to claim an additional refund, wait until you have received your original refund before filing Form 1040X. You may cash that check while waiting for any additional refund.
4. If you amend returns and owe additional tax, you will be subject interest and penalty charges. Interest is charged on any tax not paid by the due date of the original return, without regard to extensions.
5. When amending multiple returns, send them in separate envelopes. Sometimes when filed together, they are mistaken for a single return, and the additional returns filed in the same envelope are not processed.
6. If the changes involve another schedule or form, it must be completed and included with the amended return. In addition, it may be appropriate to include documentation to avoid subsequent correspondence from the IRS or state agency.
7. A detailed explanation of the changes must also be attached. This is required to explain to the processing staff the reason for the amendment. An insufficient explanation can lead to additional correspondence and delays.
8. Depending on why you file an amended federal return, you may be *required* to amend your state return. However, if the federal amendment is filed to claim or correct a tax credit that the state does not have, no state amended return will likely need to be filed. In most other circumstances, you will need to amend the state return as well as the federal.

An amended return can be more complicated than the original, so please contact this office for assistance in preparing your amended returns.

Don't Panic if You Receive an IRS Notice

Article Highlights:

- Letter May Be In Error
- Let Your Tax Professional Respond
- Procrastination Leads to Bigger Problems
- Change of Address Complications

If it is not your refund check in the mailbox, that letter from the IRS will probably increase your heart rate a little. Don't panic; many of these letters can be dealt with simply and painlessly.

Each year, the IRS sends millions of letters and notices to taxpayers to request payment of taxes, notify them of a change to their account, or to request additional information. The notice you receive normally covers a very specific issue about your account or tax return. Each letter and notice offers specific instructions on what needs to be done to satisfy the inquiry.

However, the letters also must advise you of your rights and other information required by law. Thus, these letters can become overly lengthy and sometimes difficult to understand. That is why it is important to either call this office immediately or forward a copy of the letter or notice so it can be reviewed and handled accordingly.

Do not procrastinate or throw the letter in a drawer hoping the issue will go away. Most of these letters are computer generated and, after a certain period of time, another letter will automatically be produced. And, as you might expect, each succeeding letter will become more aggressive and more difficult to deal with.

Most importantly, don’t automatically pay an amount the IRS is requesting unless you are positive it is correct. Quite often, you really do not owe the amount being billed, and it will be difficult and time consuming to get your payment back. It is good practice to have this office review the notice prior to making any payment.

Unfortunately, many taxpayers are issued these letters and don’t know it because they have moved and left no forwarding address. Even though the IRS will register your address change when you file your annual tax return, that may not be timely enough, especially if your return is on extension or you are behind in your filings. It is always better to notify the IRS, and your state if applicable, that you have a new address, just as you would your family and financial and business affiliations. You may not want to receive correspondence from the IRS, but it is easier to deal with the first notice. The complications can only increase as the notices go unanswered. The IRS provides Form 8822– Change of Address for taxpayers who have relocated between tax filings.

It is important for any IRS correspondence to be dealt with promptly and correctly. This office can handle these matters for you; so please call for assistance.

Parents Can Get Credit for Sending their Kids to Day Camp

Article Highlights:

Child Age Limits

- Employment-related Expense
- Married Taxpayer Earnings Limits
- Disabled or Full-time Student Spouse
- Expense Limits

With summer here in full swing, there is a tax break that working parents should know about. Many working parents must arrange for care of their children under 13 years of age (or any age if handicapped) during the school vacation period. A popular solution — with a tax benefit — is a day camp program. The cost of day camp can count as an expense towards the child and dependent care credit. But be careful; expenses for overnight camps do not qualify.

For an expense to qualify for the credit, it must be an “employment-related” expense; i.e., it must enable you and your spouse, if married, to work, and it must be for the care of your child, stepchild, or foster child, or your brother or sister or stepsibling (or a descendant of any of these) who is under 13, lives in your home for more than half the year and does not provide more than half of his or her own support for the year. Married couples must file jointly and both spouses must work (or one spouse must be a full-time student or disabled) to claim the credit.

The qualifying expenses are limited to the income you or your spouse, if married, earns from work, using the figure for whomever of you earns less. However, under certain conditions, when one spouse has no actual earned income and that spouse is a full-time student or disabled, that spouse is considered to have a monthly income of $250 (if the couple has one qualifying child) or $500 (two or more qualifying children). This means the income limitation is essentially removed for a spouse who is a student or disabled.

The qualifying expenses can't exceed $3,000 per year if you have one qualifying child, while the limit is $6,000 per year for two or more qualifying persons. This limit does not need to be divided equally. For example, if you paid and incurred $2,500 of qualified expenses for the care of one child and $3,500 for the care of another child, you can use the total, $6,000, to figure the credit. The credit is computed as a percentage of your qualifying expenses; in most cases, 20%. (If your joint adjusted gross income [AGI] is $43,000 or less, the percentage will be higher, but will not exceed 35%.)

> *Example:* Al and Janice both work, each with earned income in excess of $40,000 per year. Janice's job is a part-time job, which coincides with their 11-year-old daughter, Susan's, school hours. However, during the school summer vacation period, they place Susan in a day camp program that costs $4,000. Since the expense limitation for one child is $3,000, their child credit would be $600 (20% of $3,000).

The credit reduces a taxpayer's tax bill dollar for dollar. Thus, in the above example, Al and Janice pay $600 less in taxes by virtue of the credit. However, the credit can only offset income tax and alternative minimum tax liability and any excess is not refundable. The credit cannot be used to reduce self-employment tax or the taxes imposed by the Affordable Care Act.

If you have questions about how the childcare credit applies to your particular tax situation, please give this office a call.

Tax Tips for Recently Married Taxpayers

Article Summary:

- Social Security Administration
- Internal Revenue Service
- U.S. Postal Service
- Withholding & Estimated Tax Payments
- Health Insurance Marketplace

This is the time of year for many couples to tie the knot. If you marry during 2015, here are some post-marriage tips to help you avoid stress at tax time.

1. **Notify the Social Security Administration** − Report any name change to the Social Security Administration so that your name and SSN will match when filing your next tax return. Informing the SSA of a name change is quite simple. File a *Form SS-5, Application for a Social Security Card* at your local SSA office. The form is available on SSA's Web site, by calling 800-772-1213, or at local offices. Your income tax refund may be delayed if it is discovered your name and SSN don't match at the time your return is filed.

2. **Notify the IRS** – If you have a new address, you should notify the IRS by sending *Form 8822, Change of Address*.
3. **Notify the U.S. Postal Service** – You should also notify the U.S. Postal Service when you move so that any IRS or state tax agency correspondence can be forwarded.
4. **Review Your Withholding and Estimated Tax Payments** – If both you and your new spouse work, your combined income may place you in a higher tax bracket, and you may have an unpleasant surprise when we prepare your return for 2015. On the other hand, if only one of you works, filing jointly with your new spouse can provide a significant tax benefit, enabling you to reduce your withholding or estimated payments. In either case, it may be appropriate to review your withholding (W-4 status) and estimated tax payments, if any, for 2015 to make sure that you are not going to be under-withheld and that you don't set yourself up to receive bad news for the next filing season.
5. **Notify the Marketplace** – If you or your spouse has health insurance through a government Marketplace (Exchange), you must notify the Marketplace of your change in marital status. If you were included on a parent's health insurance policy through a Marketplace, then the parent must notify the Marketplace. Failure to notify the Marketplace can create tax filing problems.

If you have any questions about the impact of your new marital status on your taxes, please give this office a call.

Five-Year Anniversary of Healthcare Reform:

5 Things You Should Know in '15 About the ACA

It has been five years since the Patient Protection and Affordable Care Act (the ACA) was signed into law. Healthcare reform has certainly been controversial, but this controversy does not absolve some businesses of certain responsibilities when it comes to offering minimum essential healthcare coverage to their employees.

In recognition of the five-year anniversary of healthcare reform, here are 5 things you should know about some of the key ACA requirements for businesses in 2015:

1. The shared responsibility provision of healthcare reform is effective either this year or next year, depending on how many employees you have. Also known as the employer mandate or "play or pay," this provision requires companies with at least 50 full-time equivalent employees to offer minimum essential healthcare coverage to their full-time employees and their dependents. Or, such businesses — which are referred to by the law as applicable large employers (ALEs) — can pay a substantial non-deductible penalty if they prefer.

Companies with 100 or more full-time employees (or full-time equivalents) must begin complying with the shared responsibility provision this year. Specifically, they must offer qualifying healthcare coverage to 70 percent or more of their full-time employees and their dependents this year and 95 percent of them in 2016. Meanwhile, companies with between 50 and 99 full-time employees or equivalents must begin complying with the shared responsibility provision next year.

2. Depending on the size of your business, you might not be subject to the shared responsibility provision at all. There's good news in the ACA for many small businesses. Companies with fewer than 50 full-time employees or equivalents are not subject to the shared responsibility this year or next year.

However, if these businesses want to offer healthcare coverage to their employees, they can buy coverage on the Small Business Health Options Marketplace, or SHOP. This marketplace could lower small firms' health insurance costs by giving them more buying power.

3. The healthcare coverage your business provides employees under the ACA must meet certain criteria. Specifically, this coverage must be affordable and it must provide minimum value. Healthcare reform considers coverage to be "affordable" if employees' share of their premiums doesn't exceed 9.56 percent of their annual household income in 2015. And it considers "minimum value" to be a policy that covers at least 60 percent of the cost of healthcare services.

4. Your business might qualify for a tax credit for contributions you make toward employees' premiums. Small businesses with up to 25 full-time equivalent employees could receive a tax credit of up to 50 percent toward their contributions to employees' healthcare premiums. To qualify, your business must pay at least half of the premiums and employees' average annual wages in 2015 cannot be more than $51,600 (adjusted each year for inflation going forward). Also, this tax credit will be reduced if you had more than 10 full-time equivalent employees last year and/or employees' average annual wages last year were more than $25,400 (also adjusted each year for inflation going forward).

5. The ACA includes requirements to report coverage information to the IRS. ALEs are required to certify that they offered full-time employees and their dependents the opportunity to enroll in minimum essential healthcare coverage by filing Form 1094-C with the IRS. In addition, they must also issue a Form 1095-C employee statement to each full-time employee. These information-reporting requirements were voluntary this year for coverage provided in 2014, but they will be required next year for coverage provided in 2015.

Be sure to contact us with any questions about your company's specific responsibilities under the ACA this year.

Tax Tips for Students with a Summer Job

Article Highlights:

- W-4
- Tips
- Working For Cash
- Self-employment Tax
- Working in a Family Business
- ROTC Members
- Newspaper Carriers

Many students hold a summer job during their time off from school. Here are some tax issues that should be considered when working a summer job.

1. **Completing Form W-4 When Starting a New Job –** This form is used by employers to determine the income taxes that will be withheld from your paycheck. Taxpayers with multiple summer jobs will want to make sure all of their employers are withholding an adequate amount of taxes to cover their total income tax liability. Generally, a student who is claimed as a dependent of another with income only from summer and part-time employment can earn as much as $6,300 (the standard deduction amount) without being liable for income tax. However, if the student is a dependent and has investment income, the tax determination becomes more complicated and subject to special rules.

2. **Tips –** If the student works as a waiter, camp counselor, or some other common summer jobs, the student may receive tips as part of the summer income. All tip income received is taxable income and is therefore subject to federal income tax. Employees are required to report tips of $20 or more received while working with any one employer in any given month. The reporting should be made in writing to the employer by the tenth day of the month following the receipt of tips. The IRS provides publication 1244 that can be used to record tips for a month on a daily basis. The employer withholds FICA (Social Security and Medicare) and income taxes on these reported tips and then includes the tips and wages on the employee's W-2.

3. **Cash Jobs –** Many students do odd jobs over the summer and are paid in cash. Just because the job is paid in cash does not mean that it is tax-free. Unfortunately, the income is taxable and may be subject to self-employment taxes (see below). These earnings include income from odd jobs like babysitting and lawn mowing.

4. **Self-Employment Tax –** When an individual works for an employer, the employer withholds Social Security and Medicare taxes from the employee's pay, matches the amount dollar for dollar, and remits the combined amount to the government. Self-employed workers are required to pay the combined employee and employer amounts themselves (referred to as self-employment tax) if their net earnings are $400 or more. This tax pays for their future benefits under the Social Security system. Even if a worker is not liable for income tax, this 15.3% tax may apply. Even though skirting the law, some employers prefer to treat their workers as "independent contractors" who receive their pay with no taxes withheld, because the employers avoid paying their share of the employment taxes. While the employees may like getting a larger check each pay day, they may find themselves owing income tax and possibly the self-employment tax on their earnings when they file their tax returns for the year. If the worker is offered a job on an independent contractor basis, and that job would normally be filled by an employee, the worker should seriously consider if this arrangement is suitable under the circumstances.

5. **Employed in a Family business** - If the family business is unincorporated, and pays wages to a child under age 18, the child is not subject to payroll taxes (FICA) since they do not apply to a child under the age of 18 while employed by a parent. Thus, the child will not be required to pay the employee's share of the FICA taxes, and the parent's business will not have to pay its half either. In addition, paying the child, and thus reducing the business's net income, can reduce the parent's self-employment tax. However, the wages must be reasonable for the services performed.

6. **ROTC Students –** Subsistence allowances paid to ROTC students participating in advanced training are not taxable. However, active duty pay—such as pay received during summer advanced camp—is taxable.

7. **Newspaper Carrier or Distributor –** Special rules apply to services performed as a newspaper carrier or distributor. An individual is a direct seller and treated as self-employed for federal tax purposes under the following conditions:
    - The person is in the business of delivering newspapers;
    - All of the pay for these services directly relates to sales rather than to the number of hours worked; and
    - A written contract controls the delivery services and states that the distributor will not be treated as an employee for federal tax purposes.

8. **Newspaper Carriers or Distributors Under Age 18 –** Generally, newspaper carriers or distributors under age 18 are not subject to self-employment tax.

Please call this office if you have additional questions related to a child's employment.

Safe-Harbor Home Office Deduction: Is It Better For You?

Article Highlights:

- Annual Election
- Depreciation
- Additional Office Expenses
- Limitations & Carryover
- Qualifications
- Employee Issues
- Usage Issues

Taxpayers can elect to take a simplified deduction for the business use of the taxpayer's home. The deduction is $5 per square foot, with a maximum square footage of 300. Thus, the maximum deduction is $1,500 per year. Here are the details of this simplified method:

- *Annual Election* – A taxpayer may elect to take the safe-harbor method or the regular method on an annual basis. Thus, a taxpayer may freely switch between the methods each year. The election is made by choosing the method on a timely filed original return and is irrevocable for that year.
- *Depreciation* – When the taxpayer elects the safe-harbor method, no depreciation deduction for the home is allowed, and the depreciation for the year is deemed to be zero.
- *Additional Office Expenses* – Additional office expenses such as utilities, insurance, office maintenance, etc., are not allowed when the safe-harbor method is used.
- *Home Interest and Taxes* – Prorated home interest and taxes are not allowed as an office expense when using the safe-harbor method. Instead, 100% of the home interest and taxes are deductible as usual on Schedule A.
- *Deduction Limited by Business Income* – As is the case with the regular method, under the safe-harbor method the home office deduction is limited by the business income. For the safe harbor, the deduction cannot exceed the gross income derived from the qualified business use of the home for the taxable year reduced by the business deductions (deductions unrelated to the qualified business use of a home). However, unlike the regular method, any amount in excess of this gross income limitation is disallowed and may not be carried over and claimed as a deduction in any other taxable year.
- *Home Office Carryover* – This cannot be used in a year in which the safe-harbor method is used. The carryover continues to future years and can only be used when the regular method is used.
- *Qualifications* – A taxpayer must still meet the regular qualifications to use the safe-harbor method.
- *Reimbursed Employee* – The safe-harbor method cannot be used by an employee who receives advances, allowances, or reimbursements for expenses related to qualified business use of his or her home under a reimbursement or other expense allowance arrangement with the employer.
- *Determining Square Footage* – To determine the average square footage of the business, use these guidelines:
    - **Square Feet Maximum** – Never use more than 300 square feet for any month, even if the taxpayer has multiple businesses. Where there are multiple businesses, use a reasonable method to allocate between businesses.

- **Determining Average Square Feet for the Year** – Use zero for months when there was no business use or when the business was not for a full year.
- **15-Day Minimum** – Don't count any month in which the business use is less than 15 days.

  ***As an example**, a taxpayer begins using 400 square feet of her home for business on July 20, 2015, and continues using the space as a home office through the end of the year. Her average monthly allowable square footage for 2015 is 125 square feet (300 x 5 months = 1500/12 = 125).*

- *Multiple Businesses* – Where there are multiple businesses, only one method may be used for the year—either the regular or safe harbor.
- *Mixed-Use Property* – A taxpayer who has a qualified business use of a home and a rental use for purposes of § 280A(c)(3) of the same home cannot use the safe-harbor method for the rental use.
- *Taxpayers Sharing a Home* – Taxpayers sharing a home (for example, roommates or spouses, regardless of filing status), if otherwise eligible, may each use the safe-harbor method but not for a qualified business use of the same portion of the home.

  ***As an example**, a husband and wife, if otherwise eligible and regardless of filing status, may each use the safe-harbor method for a qualified business use of the same home for up to 300 square feet of different portions of the home.*

- *Depreciation Rate When Switching Methods* – When the safe-harbor method is used and the taxpayer subsequently switches back to the regular method, use the depreciation factor from the appropriate optional depreciation table as if the property had been depreciated all along.

  When choosing between the methods, the following factors should be considered:

  - There is no reduction in basis for depreciation or depreciation recapture when using the safe-harbor method.
  - When using the regular method, the income limitation takes into account home interest, taxes, and other expenses before allowing the depreciation portion of the deduction. That is not true for the safe-harbor method as the interest, taxes, and other business-use-area expenses are not considered.

If you have questions related to this simplified method of claiming a deduction for the business use of your home, please give this office a call.

Have a Financial Interest in or Signature Authority over a Foreign Financial Account? Better Read This!

Article Highlights:

- Reporting Threshold
- FBAR Filing Due Date
- Penalties
- Overlooked Accounts

Each U.S. person who has a financial interest in or signature or other authority over any foreign financial accounts (including bank, securities, or other types of financial accounts in a foreign country) must report that relationship to the U.S. government each calendar year if the aggregate value of these financial accounts exceeds $10,000 at any time during the calendar year.

The government uses this reporting mechanism as a means of uncovering hidden foreign accounts and ensuring that investment income earned in foreign countries by U.S. taxpayers is included on their U.S. tax returns. The Treasury Department has placed a new emphasis on foreign accounts, and taxpayers with a financial connection to a foreign country should determine whether or not they have a reporting requirement.

Reporting is accomplished by electronically filing Form FinCEN 114 commonly referred to as FBAR (for **F**oreign **B**ank **A**ccount **R**eport), which is **due on or before June 30** of the succeeding year. No extensions are available for filing this form.

Penalties for failing to comply can be draconian. For non-willful violations, civil penalties up to $10,000 may be imposed. The penalty for willful violations is the greater of $100,000 or 50% of the account's balance at the time of the violation. A reasonable cause exception to the penalty is available for non-willful violations but not for willful violations.

Overlooked Accounts—Many taxpayers overlook the fact that they have a reporting requirement in such situations as:

- Family Accounts—Recent immigrants to the U.S. may still have parents or other family members residing in the "old" country, and those relatives may have included them on an account in a foreign country. This practice is common for some ethnic groups. The taxpayer may not really consider the account to be his or hers; nevertheless, it falls under the reporting requirement if he or she has signature or other authority over the account and its value exceeds $10,000.
- Inherited Accounts—Accounts in a foreign country and inherited accounts fall under the FBAR reporting requirement, even if the funds are subsequently transferred to the U.S. The FBAR rules state that reporting is required if at any time during the year the foreign account exceeds $10,000.
- Business Accounts—A corporate officer or Board member may have signature authority over a business account in a foreign country and may overlook the need to meet the FBAR reporting requirements.
- Foreign Financial Accounts—These financial accounts are maintained by foreign financial institutions and include other investment assets not held in accounts maintained by financial institutions. However, no reporting is required for interests that are held in a custodial account with a U.S. financial institution.

If you have questions regarding this reporting requirement or need assistance with the reporting, please contact this office.

7 Ways to Boost AR Collections and Improve Cash Flow

"A sale isn't a sale until you've collected payment — it's just a loan," a wise businessman once said.

If you've been in business for any length of time, you know how true this is. Many small businesses that were profitable on paper have gone bankrupt waiting for payment from their customers to arrive.

This makes accounts receivable (AR) collections one of the most important tasks for small business owners. Unfortunately, it's also one of the most neglected. Here are 7 strategies you can implement to help boost your AR collections and improve your cash flow:

1. Make sure your invoices are clear and accurate. If invoices are vague, ambiguous or flat-out wrong, this is sure to delay customer payments as they call to try to get things straightened out. In short, you don't want to give customers a reason *not* to pay your invoices quickly.

2. Create an AR aging report. This report will track and list the current payment status of all your client accounts (e.g., 0-30 days, 30-60 days, 60-90 days, 90+ days). This will tell you which clients are current in their payments and which clients are past due so you know where to focus your collection efforts.

3. Give a bookkeeping employee responsibility for AR collections. If collecting accounts receivable isn't the main responsibility of one specific employee, it will probably fall by the wayside as other tasks crowd it out. Therefore, make one of your bookkeeping employees primarily responsible for this task.

4. Move quickly on past-due accounts. Don't delay taking action once a client's account reaches the past-due stage. Studies have revealed that the likelihood of collecting past-due receivables drops drastically the longer they go uncollected. Your designated bookkeeping employee should start making collections efforts the day after an account becomes past due.

5. Plan your collections strategy carefully. Decide ahead of time how you will approach late-paying clients. For example, a friendly reminder call and/or email from your designated bookkeeping employee is probably a good first collection step. If this doesn't get results, you can proceed to more aggressive steps such as sending past due notices and dunning letters.

6. Consider offering a payment plan. Sometimes, customers have legitimate reasons why they can't pay their invoices on time. Maybe the customer is having temporary cash flow problems and wants to pay you but simply can't right now. In this scenario, you might consider working out a payment plan that allows the customer to pay the balance due over a period of time. The agreement should be made in writing and signed by both parties.

7. Hire a collection agency. If all of these steps fail to resolve a collection problem, you might have to turn to a collection agency as a last resort. However, this is a serious step that should not be taken lightly, since it will probably jeopardize your relationship with the customer. Decide whether or not collecting the past-due amount is worth possibly losing the customer. Also keep in mind that the collection agency will keep a large percentage of the amount collected.

Very few small businesses can afford not to make AR collections a top priority. Following these 7 steps will help you improve your collections — and these improvements will boost both your cash flow and your bottom line.