

Leslie A. Cesario, Ltd.

Monthly Newsletter

Tax Filing Deadline Is Around the Corner

Article Highlights:

- Balance due payments
- Contributions to a Roth or traditional IRA
- Estimated tax payments for the first quarter of 2017
- Individual refund claims for tax year 2013

Just a reminder to those who have not yet filed their 2016 tax return that April 18, 2017 is the due date to either file your return and pay any taxes owed, or file for the automatic six-month extension and pay the tax you estimate to be due. The due date is normally April 15, but the 15th falls on a weekend and the next business day, April 17, is Emancipation Day, a legal holiday in Washington D.C., so the due date in 2017 is April 18.

In addition, the April 18, 2017 deadline also applies to the following:

- **Tax year 2016 balance-due payments** – Taxpayers that are filing extensions are cautioned that the filing extension is an extension to file, NOT an extension to pay a balance due. Late payment penalties and interest will be assessed on any balance due, even for returns on extension. Taxpayers anticipating a balance due will need to estimate this amount and include their payment with the extension request.
- **Tax year 2016 contributions to a Roth or traditional IRA** – April 18 is the last day contributions for 2016 can be made to either a Roth or traditional IRA, even if an extension is filed.
- **Individual estimated tax payments for the first quarter of 2017** – Taxpayers, especially those who have filed for an extension to file their 2016 return, are cautioned that the first installment of the 2017 estimated taxes are due on April 18. If you are on extension and anticipate a refund, all or a portion of the refund can be allocated to this quarter's payment on the final return when it is filed at a later date. If the refund won't be enough to fully cover the April 18 installment, you may need to make a payment with the April 18 voucher. Please call this office for any questions.
- **Individual refund claims for tax year 2013** – The regular three-year statute of limitations expires on April 18 for the 2013 tax return. Thus, no refund will be granted for a 2013 original or amended return that is filed after April 18. **Caution:** The statute does not apply to balances due for unfiled 2013 returns.

If this office is holding up the completion of your returns because of missing information, please forward that information as quickly as possible in order to meet the April 18 deadline. Keep in mind that the last week of tax season is very hectic, and your returns may not be completed if you wait until the last minute. If it is apparent that the information will not be available in time for the April 18 deadline, then let the office know right away so that an extension request, and 2017 estimated tax vouchers if needed, may be prepared.

If your returns have not yet been completed, please call right away so that we can schedule an appointment and/or file an extension if necessary.

Important Due Date: Foreign Account Reporting Requirements (FBAR)

Article Summary:

- Foreign Account Reporting Requirement
- Financial Crimes Enforcement Network
- Penalties for Failure to File
- Type of Accounts Affected
- Form 8938 Filing Requirements

U.S. citizens and residents with a financial interest in or signature or other authority over any foreign financial account need to report that relationship by filing FinCEN Form 114 by April 18, 2017 if the aggregate value of the accounts exceeds \$10,000 at any time during 2016. Failure to file can result in draconian penalties.

CAUTION: Prior to 2016, the Form 114 was not required until the end of June. That due date has been moved up to April 18, 2017 for 2016 reporting. Previously there was no filing extension allowed, but the law that changed the filing date also gave FinCEN the authority to provide a six-month extension. FinCEN announced that an extension to October 16, 2017 will be automatic for anyone who was required to file Form 114 by April 18, 2017 but failed to do so.

Keep in mind that “financial account” includes securities, brokerage, savings, checking, deposit, time deposit, or other accounts at a financial institution. Commodity futures and options accounts, mutual funds, and even non-monetary assets such as gold are also included. It becomes a “foreign financial account” if the financial institution is located in a foreign country. If you own shares of a foreign stock or a mutual fund that invests in foreign stocks, and the stock or fund is held in an account at a financial institution or brokerage located in the U.S., this is not considered a foreign financial account, and the FBAR rules don’t apply to it. An account maintained with the branch of a foreign bank physically located in the U.S. also is not a foreign financial account.

You may have an FBAR requirement and not even realize it. For instance, perhaps you have relatives residing in a foreign county and they have put you on their bank account in case something happens to them. If the value of the account exceeds \$10,000 at any time during the year, you will need to file the FBAR. Or if you are gambling on the Internet, that online casino may be located in a foreign country, and if your account exceeds the \$10,000 limit at any time during the year, you will have an FBAR reporting requirement.

You may also have an additional requirement to file Form 8938, which is similar to the FBAR requirement but applies to a wider range of foreign assets with a higher dollar threshold. If you are married filing jointly, you must file Form 8938 if the value of certain financial assets exceeds \$100,000 at the end of the year or \$150,000 at any time during the year. If you live abroad, the thresholds are \$400,000 and \$600,000, respectively. For other filing statuses, the thresholds are half of those amounts. The penalty for failing to file the 8938 is \$10,000 per year, and if the failure continues for more than 90 days after you receive an IRS notice of failure to file, the penalty can go as high \$50,000.

As you can see, not complying with the foreign account reporting requirements can have some very nasty repercussions. Please call this office with questions or if you need assistance in meeting your foreign account reporting obligations.

Health Reimbursement Plans Approved for Qualified Small Employers

Article Highlights:

- Health Reimbursement Plans and the ACA
- Noncompliance Penalties
- New Law and Qualified Small-Employer HRAs
- Qualifications
- Employees and the Premium Tax Credit

Under the Affordable Care Act (ACA or Obamacare), a health reimbursement arrangement (HRA) is treated as a group health plan, and as such, it has to meet all of the ACA's market-reform requirements, which is not possible for the typical HRA. Stand-alone HRAs do not meet two key requirements of the ACA in that they:

- Limit annual dollar benefits for the insured and
- Fail to provide certain preventive-care services without cost-sharing requirements.

Previously, under the IRS's interpretation of the ACA law, employers who offered stand-alone HRAs were subject to a draconian excise tax penalty of \$100 per day per employee (maximum: \$36,500 per year). That is a chilling penalty for any small employer, and it caused most of them to back away from offering any sort of health coverage for their employees.

To alleviate this problem, Congress passed the 21st Century Cures Act, which is generally effective beginning in 2017, and which created a "qualified small-employer HRA" that is not treated as a group health plan for income tax purposes. Thus, a qualified small-employer HRA will not face the \$100 per day excise tax that is levied on group health plans that don't meet the ACA's market reform requirements.

To qualify as a small-employer HRA, a plan must meet the following requirements:

1. An eligible employer maintains it. An eligible employer is one that employs fewer than 50 employees (in full-time equivalents) and that does not offer a group health plan to any of its employees.
2. The HRA is provided on the same terms to all eligible employees except:
 - Those who have not completed 90 days of service,
 - Those under the age of 25,
 - Part-time workers (generally those working an average of fewer than 30 hours per week),
 - Seasonal workers (generally those employed for 6 months or fewer during the year),
 - Employees covered by a collective bargaining unit, and
 - Certain nonresident aliens.
3. The HRA is funded solely by an eligible employer, with no salary-reduction contributions.
4. The HRA only reimburses the employees after being provided with proof of their medical expenses.
5. The HRA limits reimbursements to \$4,950 (or \$10,000 if the plan includes family members) per year. Amounts are subject to inflation adjustments for years after 2016. For employees who are covered for less than a full year, the dollar limits are prorated.

An employee's premium tax credit is reduced for any coverage month when the employee is provided with a qualifying HRA. To prevent "double dipping," if the employee purchases health insurance through

the Marketplace, that employee is required to notify the Marketplace of his or her permitted benefit for the year under the HRA.

Partners in a partnership or limited liability company (LLC) or owners and officers with greater than a 2% share of a Subchapter S corporation must treat any reimbursement under an HRA plan as taxable income, and may then deduct as an above-the-line deduction their cost of health insurance that was included in income. For greater than 2% shareholders of a Subchapter S corporation the taxable reimbursements are subject to income tax withholding.

If you have questions related to how your business could use a qualified small-employer HRA, please give this office a call.

Checking the Status of Your Federal Tax Refund is Easy

Article Highlights:

- Federal tax refund status can be checked online.
- E-file refunds are generally issued within 21 days of filing.
- Direct deposit provides the quickest refunds.

If your 2016 federal return has already been filed and you are due a refund, you can check the status of your refund online.

[“Where’s My Refund?”](#) is an interactive tool on the IRS web site at IRS.gov. Whether you have split your refund among several accounts, opted for direct deposit into one account, or asked the IRS to mail you a check, “Where’s My Refund?” will give you online access to your refund information nearly 24 hours a day, 7 days a week.

If you e-file, you can get refund information within 24 hours after the IRS has acknowledged receipt of your return. Generally refunds for e-filed returns are issued within 21 days, however not before February 15 for returns with the earned income tax credit and/or the additional child credit. If you file a paper return, refund information will be available within four weeks. When checking the status of your refund, have your federal tax return handy. To access your personalized refund information, you must enter:

- Your Social Security Number (or Individual Taxpayer Identification Number);
- Your Filing Status (Single, Married Filing Joint Return, Married Filing Separate Return, Head of Household, or Qualifying Widow(er)); and
- The exact refund amount shown on your tax return.

Once you have entered your personal information, one of several responses may come up, including the following:

- Acknowledgement that your return has been received and is in processing.
- The mailing date or direct-deposit date of your refund.
- Notice that the IRS has been unable to deliver your refund, on account of an incorrect address. You can update your address online using the “Where’s My Refund?” feature.

The quickest refunds are via direct deposit. Allow additional time for checks to be processed through the mail.

“Where’s My Refund?” also includes links to customized information based on your specific situation. The links guide you through the steps to resolve any issues affecting your refund. For example, if you do not get the refund within 28 days from the original IRS mailing date shown on “Where’s My Refund?”, you can start a refund trace online.

If you have questions related to your refund, please give this office a call.

Don’t Be Scammed by Fake Charities

Article Highlights:

- Fraudsters
- Urgent Appeals
- Tips to Avoid Scams & ID Theft
- Cash Contribution Tax Documentation

Each year at this time, the IRS publishes its list of the “dirty dozen” tax scams. Among the dirty dozen are groups that masquerade as charitable organizations to attract donations from unsuspecting contributors. Before you write a check, be aware that fraudsters are out there soliciting on behalf of bogus charities and that some so-called charities aren’t entirely honest about how they use contributions.

Urgent appeals for aid – whether in person, over the phone, by mail, via e-mail, on a website, or through a social networking site – may not be on the up-and-up. Fraudsters pop up after natural disasters such as earthquakes and floods to try to coax people into making donations that will go into the fraudsters’ pockets – not to help victims of the disaster.

Unfortunately, legitimate charities face competition from fraudsters, so if you are thinking about giving to a charity with which you are not familiar, do your research so that you can avoid the swindlers who are trying to take advantage of your generosity. Here are tips to help make sure that your charitable contributions actually go to the cause that you support:

- Donate to charities that you know and trust. Be alert for charities that seem to have sprung up overnight in connection with current events.
- Ask if a caller is a paid fundraiser, who he/she works for, and what percentages of your donation go to the charity and to the fundraiser. If you don’t get clear answers – or if you don’t like the answers you get – consider donating to a different organization.
- Don’t give out personal or financial information — such as your credit card or bank account number – unless you know for sure that the charity is reputable.
- Never send cash. You can’t be sure that the organization will receive your donation, and you won’t have a record for tax purposes.
- Never wire money to someone who claims to be from a charity. Scammers often request donations to be wired because wiring money is like sending cash: Once you send it, you can’t get it back.

- If a donation request comes from a charity that claims to help a local community group (for example, police or firefighters), ask members of that group if they have heard of the charity and if it is actually providing financial support.
- Check out the charity's reputation using the [Better Business Bureau's \(BBB\) Wise Giving Alliance](#), [Charity Navigator](#), or [Charity Watch](#).

Remember that, to deduct a charitable contribution on your tax return, the donation must be to a legitimate charity. Contributions may only be deducted if they are to religious, charitable, scientific, educational, literary, or other institutions that are incorporated or recognized as organizations by the IRS. Sometimes, these organizations are referred to as 501(c)(3) organizations (after the code section that allows them to be tax-exempt). Gifts to federal, state, or local government, qualifying veterans' or fraternal organizations, and certain nonprofit cemetery companies also may be deductible. Gifts to other kinds of nonprofits, such as business leagues, social clubs, and homeowner's associations, as well as gifts to individuals, cannot be deducted.

To claim a cash contribution, you must be able to document that contribution with a bank record, receipt, or a written communication from the qualified organization; this record must include the name of the qualified organization, the date of the contribution, and the amount of the contribution. Valid types of bank records include canceled checks, bank or credit union statements, and credit card statements. In addition, to deduct a contribution of \$250 or more, you must have certain payroll deduction records or an acknowledgment of your contribution from the qualified organization.

Be aware that, to claim a charitable contribution, you must also itemize your deductions. It may also be beneficial for you to group your deductions in a single year and then to skip deductions in the next year. Please contact this office if you have questions related to the tax benefits associated with charitable giving for your particular tax situation.

Tax Deductions for Owner-Operator Truckers

Article Highlights:

- Meals Away from Home
- Lodging
- Other On-The-Road Expenses
- Vehicle (Tractor) Cost Write-Offs
- General Business Expenses
- Heavy Highway Vehicle Use Tax
- Subcontractor Payments
- Nondeductible Expenses

As an owner-operator in the trucking industry, your tax situation is unique. You benefit from special allowances for meals, are allowed very large write-offs for tractors and other equipment, must pay additional taxes and permit costs, and may have special reporting requirements in addition to your tax returns. The following is an overview of the tax issues that may apply to owner-operators.

- **Meals Away from Home** – As an owner-operator trucker, you may deduct the actual cost of your meals; this requires you to save your receipts. Alternatively, you can deduct the IRS' standard meal allowance for the transportation industry, using your logbooks as substantiation. For 2016 and 2017, amount for meals and incidental expenses is \$63 per day. Whether you use

the actual-expense method or the standard method, only 80% of the total for the year is deductible. Even though only 80% is deductible, keep track all expenses for tax purposes, as the 80% adjustment is made during the tax-return preparation process

Meals are deductible if you need to stop for substantial rest in order to properly perform your duties while traveling on business.

- **Lodging** – Lodging expenses are deductible. Unfortunately, there is no standard allowance for lodging; thus, you must keep a receipt for each lodging expense. Generally, to deduct lodging expenses, you must be away from home overnight.

One issue that could result in the disallowance of lodging and other travel expenses is not having a regular place of business or place of residence. In this case, you would be considered an itinerant (or transient), and your home for tax purposes would be wherever you work. As an itinerant, you would not be able to claim a deduction for lodging and meals because you would never be considered to be away from home.

Other On-The-Road Expenses – Generally, to be deductible, items must be both ordinary and necessary to your job. For truckers, these expenses include laundry (when away overnight), gloves, logbooks, maps, cell phones, CB radios, tools, safety gear, cargo straps, and any other incurred expenses that are ordinary and necessary in the business. Generally, receipts are required, but if the business expense is less than \$75, a receipt is not necessary, provided that you record all of the information in a diary in a timely manner.

- **Vehicle (Tractor) Cost Write-Offs** – The current tax code provides several options for writing off the cost of a vehicle, including immediate expensing of up to \$510,000 (as of 2017) during the year the property is put into service; first-year depreciation equal to 50% of the vehicle's cost; normal depreciation; or a combination of all three. These options allow owner-operators to pick almost any amount of write-off to best suit their particular circumstances. For normal depreciation, the IRS allows a recovery period of 3 years for over-the-road tractor units and of 5 years for trailers, trailer-mounted containers and heavy-duty trucks (13,000 pounds or more).
- **Vehicle (Tractor) Operating Expenses** – Of course, vehicle operating expenses – including fuel, licenses, taxes, maintenance and insurance – are deductible. Depending on the nature and cost, some expenses may have to be depreciated.
- **General Business Expenses** – Owner-operators can usually deduct the following expenses: trucking-industry and business-related subscriptions, association dues, computers and software, Internet service, cleaning supplies, business interest, office supplies, DOT physicals, drug testing, sleep apnea studies, postage and other business-related expenses.
- **Heavy Highway Vehicle Use Tax** – The [heavy highway vehicle use tax](#) (Form 2290) applies to highway vehicles weighing 55,000 pounds or more. The due date for this form is based on when (during the annual filing period) the vehicle is first used on a public highway. For the period of July 1, 2016, through June 30, 2017, Form 2290 is due by the end of August 2016 for vehicles first used on a public highway in July 2016. For vehicles first used on a public highway after July, the use tax is prorated, and the form is due by last day of the month following the month of first use. See [when to file](#) for more details. The use tax ranges from \$100 to \$550 per vehicle for a full year, depending on the vehicle's weight. You will need to have an employer ID number to file the Form 2290; your Social Security number cannot be used as the ID number.
- **Subcontractor Payments** – If you paid an individual for services during the year, that person was

most likely a subcontractor. Payments of \$600 or more to subcontractors must be reported to the government by filing Form 1099-MISC. This form requires the subcontractor's name, address and tax ID number as well as the payment amount. There are penalties for failing to file this form, for filing it late and for filing it without the tax ID number. All these penalties can be avoided by (1) having contractors complete Form W-9 before you pay them and (2) filing the 1099-MISC forms by January 31 of the subsequent year.

Some expenses are not deductible; those with limited knowledge of trucker expenses may take these deductions, potentially triggering IRS inquiries and audits. One example is deducting the cost of street clothing. For clothing, only the cost of uniforms or protective clothing is allowed as a deduction.

Another example is deducting lost income:

- For time you spend repairing or maintaining your own equipment,
- As a result of a deadhead, or
- Because of downtime.

Lost income is already accounted for, as you do not have to report the income on your tax return in the first place.

If you have any questions related to trucking and taxes, please call. This office is knowledgeable regarding the drivers' and owner-operators' tax issues, and are here to help you eliminate the stress of accounting and tax filing.

8 Financial Tips to Help Save Money While Building Your Startup

Starting a new business is one of life's most exciting adventures. However, in order to build a successful company you need to start turning a profit as soon as possible. In the beginning of any business, expenses are unavoidable, but you can increase your profits by minimizing these expenses as much as possible. Here are eight tips you can use to save money while building your startup company.

1. Be careful with perks.

As a new business, you want to attract the best employees to your company. However, trying to offer the same perks as a [venture capital](#) can put you in debt quickly. Many successful businesses started in a garage, and there is no shame in keeping things simple at first. Once you've made it, you can start thinking about adding cappuccino machines, ping pong tables, and other perks to your office environment.

2. Use free software programs.

As you begin building your new business, resist the urge to invest in the latest, most expensive software programs. Instead, look for inexpensive software programs, or find programs that offer a lengthy free trial period. For example, instead of investing in Microsoft Office, you may consider using the free software programs offered by Google or [Trello](#).

3. Make the most of your credit cards.

If you already have credit cards, make sure you are getting the most out of any perks they offer, such as frequent flyer miles or cash back. If you are planning to apply for a business credit card, research your options carefully, and choose the card that will give you the best benefits.

4. Hire interns from local colleges.

Instead of looking to the open market to find all of your employees, consider hiring interns from a local college instead. These individuals work for much less than a seasoned professional would, and they are often eager to prove themselves in the workplace.

5. Barter for services.

As you work to grow your business, you may need a variety of services from independent contractors or other companies. Instead of offering to pay cash for the services you receive, try to offer a different type of benefit that won't impact your bottom line as much. For example, you may offer some of your own products or services, or you may allow the other party to collect a small amount of the profits you earn because of their services.

6. Minimize your personal expenses.

Because you will likely be investing a lot of your own money into your startup, you can increase profitability by reducing your personal expenses. Be careful about how you spend money, especially when you start bringing in revenue. Avoid making large purchases, such as a new house or car, unless they are absolutely necessary. Consider working with your accountant to keep track of all of your expenses so you can identify opportunities to cut back.

7. Outsource some of your projects.

To save more money while your business is getting off the ground, consider outsourcing some of your smaller projects, such as building or updating your website. Outsourcing one-time projects to independent contractors or consulting companies can be much more cost-effective than trying to hire a full-time employee to handle the job.

8. Use LinkedIn for recruitment.

Recruiting new employees can be expensive, especially if you are determined to find the best people. To cut down on these costs, consider using LinkedIn to recruit new people for your startup. Although you will have to do some of the legwork, you won't spend as much as you would with other recruiting strategies.

Regardless of the steps you take to save money as your business grows, you will still need to manage your funds carefully to ensure that your financial situation is improving over time. A professional accountant can help you set up a realistic budget and cash flow forecast to keep you on the right track. Contact our office today to learn more.

Quickbooks Tip: Are You Memorizing Transactions? Should You Be?

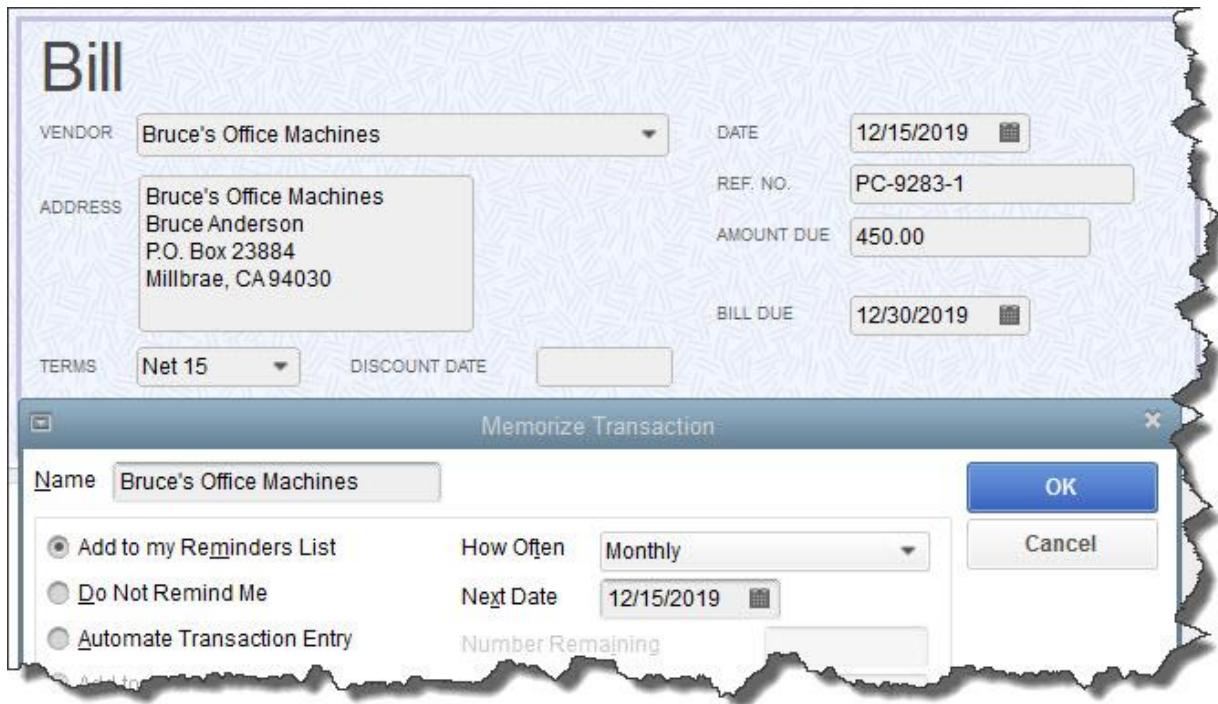
You know that QuickBooks saves a lot of time. But have you explored how it does so by memorizing transactions?

Your accounting work involves a lot of repetition. You send invoices. Pay bills. Create purchase orders. Generate payroll checks and submit payroll taxes. Some of the time, you only fill out those transaction forms once. You might be doing a one-time purchase, like paying for some new office furniture. Other times, though, you're paying or charging the same companies or individuals on a regular basis.

QuickBooks contains a shortcut to those recurring tasks, called **Memorized Transactions**. You can save the details that remain the same every time, and use that template every time the bill or invoice is due, which can save a lot of time *and* improve accuracy. Here's how it works.

Making Copies

To memorize a transaction, you first need to create a model for it. Let's say you have a monthly bill for \$450 that's paid to Bruce's Office Machines. You'd click **Enter Bills** on the home page or open the **Vendors** menu and select **Enter Bills**. Fill in the blanks and select from drop-down lists to create the bill. Then click **Memorize** in the horizontal toolbar at the top of the form. This window will open.



The image shows a screenshot of the QuickBooks 'Bill' form and the 'Memorize Transaction' dialog box. The 'Bill' form is partially filled out with the following information:

- VENDOR:** Bruce's Office Machines
- DATE:** 12/15/2019
- ADDRESS:** Bruce's Office Machines, Bruce Anderson, P.O. Box 23884, Millbrae, CA 94030
- REF. NO.:** PC-9283-1
- AMOUNT DUE:** 450.00
- BILL DUE:** 12/30/2019
- TERMS:** Net 15
- DISCOUNT DATE:** (empty)

The 'Memorize Transaction' dialog box is open, showing the following options:

- Name:** Bruce's Office Machines
- How Often:** Monthly
- Next Date:** 12/15/2019
- Number Remaining:** (empty)
- Options:** Add to my Reminders List, Do Not Remind Me, Automate Transaction Entry
- Buttons:** OK, Cancel

*Before you can **Memorize** a transaction, you first have to create a model (template) for it.*

The vendor's name will already be filled in on the **Memorize Transaction** screen. Look directly below that. There are three ways that QuickBooks can handle these **Memorized Transactions** when one of their due dates is approaching:

- **Add to my Reminders List.** If you click the button in front of this option, the current transaction will appear on your **Reminders List** every time it's due. You might request this for transactions that will change some every time they're processed, like a utility bill that's always expected on the same day, but which has a different amount every month.
- **Do Not Remind Me.** Obviously, QuickBooks will not post a reminder if you click this button. This is best used for transactions that don't recur on a regular basis. Maybe you have a snow-shoveling service that you pay only when there's a storm. So the date is always different, but everything else is the same.

- **Automate Transaction Entry.** Be very careful with this one. It's reserved for transactions that are identical except for the issue date. They don't need your approval – they're just created and dispatched.

Click the down arrow in the field to the right of **How Often** and select the correct interval. Then click the calendar icon to pick a date for the next occurrence. If you have selected **Automate Transaction Entry**, the grayed-out lines below **Next Date** (not shown here) contain fields for **Number Remaining** and **Days in Advance to Enter**.

How Does QuickBooks Know?

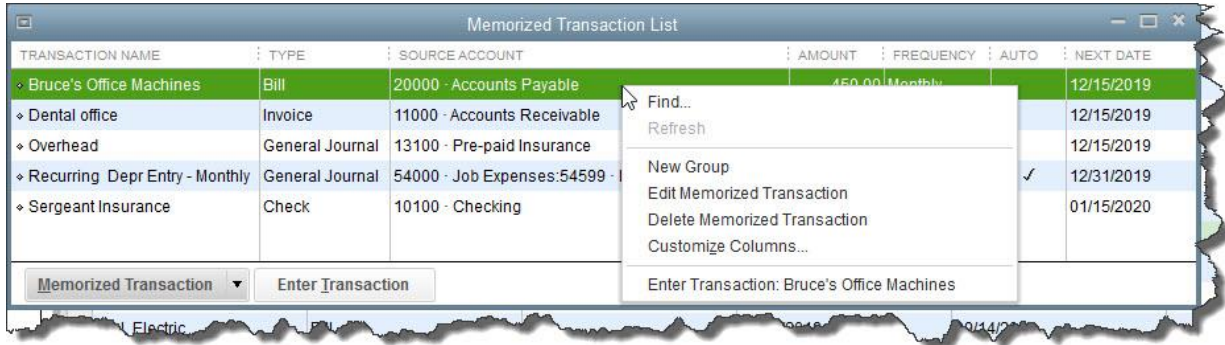
Obviously, you'll want advance warning of transactions that will require processing. QuickBooks lets you specify how many days' notice you want for each type. Open the **Edit** menu and select **Preferences**. Click **Reminders** in the left vertical pane, then the **Company Preferences** tab. You can tell QuickBooks whether you want to see a summary in each category or a list, or no **Reminder**. Then you can enter the number of days' warning you want.



*QuickBooks lets you specify the content and timing of your **Reminders**.*

Working with Memorized Transactions

Once you've created some **Memorized Transactions**, you will undoubtedly need to review them at some point. QuickBooks makes this happen. Open the **Lists** menu and select **Memorized Transaction List** to see all the templates for recurring bills, invoices, etc., that you've defined. Right-click on one you want to work with, and this menu appears:



*The **Memorized Transaction List** with the right-click window open*

You have several options here. If your list is so long that it fills multiple screens, you can **Find** the transaction you're looking for. If you've created multiple related transactions, you can save them as a **New Group**. You can also **Edit**, **Delete**, and **Enter Memorized Transactions**.

Anytime you're letting QuickBooks do something on its own, it's critical that you thoroughly understand the mechanics of setting the process up. We'd be happy to go over the whole topic of **Memorized Transactions** with you, or any other aspect of QuickBooks operations.