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July Client Update Newsletter

Tax day might seem far away, but waiting until year-end to make your tax moves may prove costly to you. Maximizing your tax savings starts with an effective mid-year strategy! Detailed here are some ideas to kick-start your summer tax planning. This issue also includes some unique and free summer travel destinations, an infographic with key IRS audit information, and five steps to help your business set the right salaries for your employees.

Call if you would like to discuss how this information relates to you. If you know someone who can benefit from this newsletter, feel free to send it to them.

This month

- **July 4:**
Independence Day

In this issue:

Effective Tax Planning Starts Now!

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Effective Tax Planning Starts Now!

With summertime activities in full swing, tax planning is probably not on the top of your to-do list. But putting it off creates a problem at the end of the year when there's little time for changes to take

effect. If you take the time to plan now, you'll have six months for your actions to make a difference on your 2019 tax return. Here are some ideas to get you started.

Know your upcoming tax breaks. Pull out your 2018 tax return and take a look at your income, deductions and credits. Ask yourself whether all these breaks will be available again this year. For example:

- Are you expecting more income that will bump you to a higher tax rate?
- Will increased income cause a benefit to phase out?
- Will any of your children outgrow a tax credit?

Any changes to your tax situation will make planning now much more important.

Make tax-wise investment decisions. Have some loser stocks you were hoping would rebound? If the prospects for revival aren't great, and you've owned them for less than one year (short-term), selling them now before they change to long-term stocks can offset up to \$3,000 in ordinary income this year. Conversely, appreciated stocks held longer than one year may be candidates for potential charitable contributions or possible choices to optimize your taxes with proper planning.



Adjust your retirement plan contributions. Are you still making contributions based on last year's limits? Maximum savings amounts increase for retirement plans in 2019. You can contribute up to \$13,000 to a SIMPLE IRA, up to \$19,000 to a 401(k) and up to \$6,000 to a traditional or Roth IRA. Remember to add catch-up contributions if you'll be 50 by the end of December!

Plan for upcoming college expenses. With the school year around the corner, understanding the various tax breaks for college expenses before you start doling out your cash for post-secondary education will ensure the maximum tax savings. There are two tax credits available, the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit. Plus there are tax benefits for student loan interest and Coverdell Savings accounts. Add 529 college savings plans, and you quickly realize an educational tax strategy is best established early in the year.

Add some business to your summer vacation. If you own a business, you might be able to deduct some of your travel expenses as a business expense. To qualify, the primary reason

for your trip must be business-related. Keep detailed records of where and when you work, plus get receipts for all ordinary and necessary expenses!

Great tax planning is a year-round process, but it's especially effective at midyear. Making time now not only helps reduce your taxes, it puts you in control of your entire financial situation.

Can't Miss Stops for Your Summer Road Trip

School is out, the weather is warm, and it's time to head out on a summer road trip! Tired of the same old locations? Every state has a number of unique destinations for the every day explorer. Here are some free ideas for the creative vacation seeker in all of us:

The World's Largest Yard

Sale. Stretching 690 miles through six states, the World's Largest Yard sale includes over 2,000 vendors. Every year at the beginning of August, you can drive for four days (from Addison, Michigan to Gadsden, Alabama) in search of second-hand treasures. Along the route are more than 35 major vendor stops. These stops include

groups of at least 25 sellers clustered together. But you can also find sales in individual yards, garages, parking lots or even right on the side of the road.



The Wave Organ. Located in San Francisco, California, the Wave Organ is a sprawling sculpture that incorporates multiple pipes that enter the ocean at different levels to create musical tones when they're struck by the waves. The sculpture itself is made of granite and marble from an old cemetery. When planning a visit, shoot to be there during high tide when the organ is at its best.

Miss Crustacean Hermit Crab Beauty Pageant. Do you have a hermit crab that really likes to flaunt its shell? Then Ocean City, New Jersey is the place for you! Every August, contestants vie for the Coveted Cucumber Rind Cup by showcasing their elaborately decorated hermit crabs. Registering your charming hermit crab is free — just make sure you get there early.

Carhenge. If you don't have time to travel across the ocean to see Stonehenge, you're in luck! Head to Alliance, Nebraska to visit Carhenge instead. Built in 1987 as a replica of the iconic stone circle in England, Carhenge uses vintage cars as building blocks instead of the

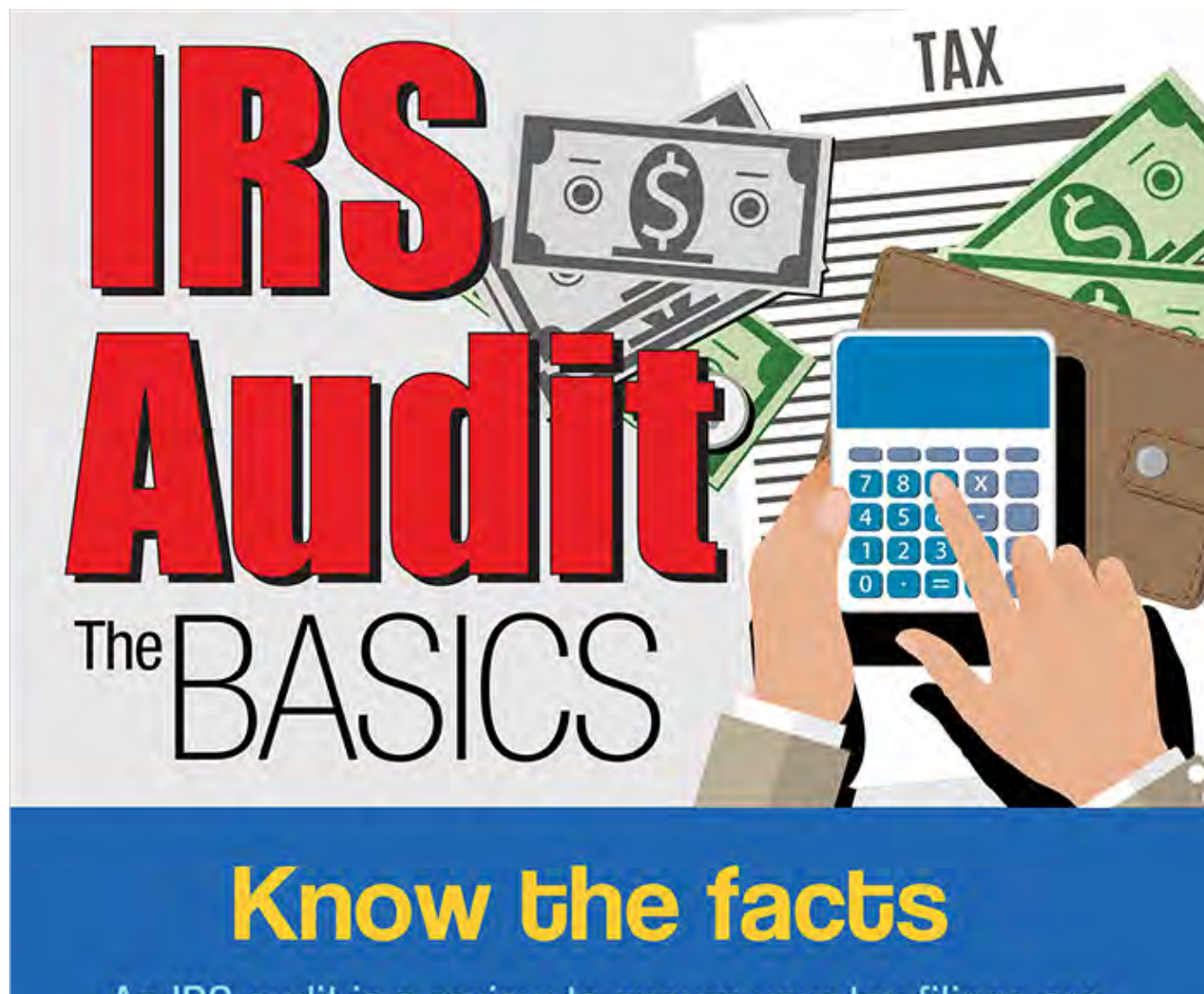
25-ton stones used in the original. It's located in the middle of farmland and includes a walking path with some other, let's just say, interesting sculptures.

The Austin bats. Hidden under the Congress Avenue Bridge in Austin, Texas from late March until early fall lives the largest urban colony of Mexican free-tailed bats in the world. At its peak, (sometime in August) the colony has as many as 1.5 million bats! Every night around sunset, onlookers pack the bridge, sidewalks and river below to experience the colony taking flight in search of insects. If you decide to watch from the water, you might want to bring an umbrella — unprepared spectators are known to be hit with guano (AKA bat poop)!

Hitting the road is a great way to spend some time with loved ones this summer. Adding quirky stops that will be remembered for a lifetime make it even better!

What You Need To Know About IRS Audits

The IRS recently released its 2018 Data Book, including information on its audit activities for the last fiscal year. This infographic details what you need to know regarding your audit risk, how to prepare for and what to expect in an IRS audit.



An IRS audit is a review to ensure your tax filings are reported correctly according to tax laws.

Both individual and business tax returns can be audited.



The IRS won't initiate an audit by telephone.

IRS audit statistics

FY= Fiscal year

Totals	FY 2015	FY 2016	FY 2017	FY 2018
Tax returns filed in prior calendar year	191,857,005	192,936,878	195,614,161	195,750,099
Audits	1,373,788	1,166,379	1,059,924	991,168
Percentage of returns audited	Less than 1%			



What are your chances of being audited?

It depends. But for most taxpayers, **LOW**.

Approximately **1 in 198** tax returns were audited in 2018.

The IRS audited 0.6% of all individual income tax returns filed in 2018, and 0.9% of corporate tax returns (excluding S corporations).

There are two types of audits:

Field audit: An in-person interview and review of records. It often happens at the taxpayer's home, business or accountant's office.



Correspondence audit: A written request for more info about a specific tax return item or issue handled via mail.

Did you know? Approximately 2/3 of audits are handled through the mail.

Reasons you may be audited

Although the IRS uses random selection as one method to choose tax returns to audit, it may also flag tax returns because:





1 You're in a higher income tax bracket.

2 You have math errors on your tax return.

3 You report no income or not all of your income.

4 Your tax return involves issues with other taxpayers whose returns are being audited.

Other reasons: Reporting too many losses, deducting too many work expenses and claiming too many charitable contributions may also trigger an audit.

Always be prepared

Use your past tax return as a checklist of items to keep on hand:

- | | |
|---|---|
| ● A copy of your signed tax return and all supporting documents | ● Investment statements |
| ● Worksheets that support your return | ● Mortgage statements |
| ● Forms W-2 | ● Credit card statements |
| ● Forms 1099 (all versions) | ● Major purchases or sales |
| ● Forms 1095 | ● Receipts for any charitable donations |
| ● Business Forms K-1 | ● Substantiation for value of large donations of property |
| ● Canceled checks of deducted items | ● Proof of fair market value for any inherited items |

- Receipts supporting deducted items
- Itemized deduction support
- Child care receipts and reporting documents
- Bank statements
- any income items
- Mileage logs for business, charitable and medical transportation
- Business meals and cellphone use documentation
- Educational expenses

FYI: Always use copies of records during an audit. Keep your original documents.



More ways to prepare:

Check IRS.gov to review its Audit Techniques Guides (ATGs). They can identify areas for potential audits, as well as help you understand what the IRS may question.

What to do if you're audited

Your tax return may never be audited. But if it happens, here are a few tips to make the process go more smoothly:



Respond to the IRS in a timely manner.

If you don't, an in-person meeting may happen.

Know what is being asked.

Get a clear understanding of the core questions.

Ask for help.

NEVER tackle the IRS alone!

Understand how the auditor has been trained.

IRS auditors are trained in certain areas.



These are published in the ATGs.

The bright side: If you are audited, you may end up with a refund. In FY 2018, approximately 30,000 audits resulted in additional refunds, totaling \$6 billion.

Sources: IRS.gov, Kiplinger.com, Forbes.com, Nerdwallet.com

Make Setting Salaries Easier With These 5 Steps

Whether you are hiring for the first time, filling an open position, or conducting annual performance reviews, finding a salary range that attracts and retains valued employees can be a difficult task. Here are some suggestions to help make the process a bit easier for you and your company:

Know what your business can afford. Like any business expense, you need to know how it will affect your budget and cash flow. Make a twelve-month profitability and cash forecast and then plug in the high end of the annual salary range you are considering to see if it's something your business can absorb. After all, the greatest employee in the world can't help you if you don't have the money to pay them. Don't forget to account for increases in benefit costs, especially the escalating cost to provide healthcare. Once you establish a budget, you can allocate your spending plan to your payroll.



Understand the laws. In general, the federal government sets the minimum requirements (minimum wage of \$7.25 per hour, overtime rules and record keeping requirements). States and localities often add their own set of rules. For example, the state of Illinois, Cook County and the city of Chicago all have different minimum wage requirements. If you are located in Chicago you need to adhere to the highest rate. So research all payroll rules that apply to your location at the beginning of the process. When reviewing the rules, don't forget that different rules often apply depending on the number of employees in your business.

Review and update job descriptions. Take some time to review key jobs and update them

as appropriate. With new positions, note the exact tasks and responsibilities you envision for the role. Then, think about the type of person that will succeed performing these responsibilities. Once you have a clear picture of who you are looking for, you can begin to build a detailed job description and narrow in on a specific salary range.

Establish value ranges and apply them. Value is key when determining the perfect salary amount. Define the range of value for the position and then apply that valuation to the current person’s performance within the defined pay range. Use websites and recruiters to establish the correct range of pay, then apply experience and employee performance to obtain a potential new salary amount. Remember, size of company, location and competitiveness of the job market are all factors to consider.

Factor in company benefits. A strong suite of employee benefits is a powerful tool to couple with a competitive salary. Don’t be afraid to communicate their value to prospective and current employees (they help with retention, too!). According to Glassdoor, health and dental insurance are the most important, but flexibility is close behind - over 80 percent of job seekers take flexible hours, vacation time and work-from-home options into consideration before accepting a position.

Finding the right salary can be tricky, but with some preparation and research, you can find the balance that satisfies the needs of your business and your employees.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.



PAST ISSUES

June 2019	May 2019	April 2019	March 2019
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