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## April Client Update Newsletter

**T**he IRS rolled out deadline extensions and new programs to help individuals and businesses navigate the COVID-19 pandemic. A recap of these announcements is included here for your review. Also in this month's edition is an interesting tax quiz to see if you can guess which states have the highest taxes! All this plus an interesting way to keep your spare change digitally. These are challenging times. Rest assured as things change on the tax landscape, you will be among the first to know. Please stay safe.

### This month

- **April 15 (Extended to July 15)**
  - Individual tax returns due
  - C corporation tax returns due
  - First-quarter 2020 estimated tax due
- **April 12**
  - Easter Sunday

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## Tax Deadlines Move to July 15

The April 15 federal income tax filing due date has been moved to July 15, the U.S. Treasury Department and IRS recently announced. Here is what you need to know:

The due dates for all tax payments normally due April 15 have been pushed back 90 days to July 15, regardless of the amount owed. This applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax.



Payments that can be extended to July 15 include income tax payments and self-employment tax payments that are associated with the 2019 taxable year. Also extended are estimated income tax payments for the 2020 taxable year.

The 90-day extension from April 15 to July 15 is automatic. No additional forms must be filed to receive the 90 day extension.

### Some thoughts

While the federal government grants you an additional 3 months to file and pay your 2019 taxes, you may wish to still file your tax return by April 15. Here are some thoughts on different situations.

**You anticipate a refund.** If you are expecting a refund, file your tax return immediately. A refund right now can come in handy.

**An extension might still make sense.** This change automatically extends everyone's due date to July 15. But you may still wish to file a tax extension to move your tax return date to October 15, 2020. While payments are now due on or before July 15, a traditional extension still buys you more time to file your tax return.

**Watch for state announcements.** States are rolling out their own guidelines for extensions. Since most states require copies of federal tax return information, be prepared to still file by April 15. Remember, even if you wait until later to file your federal return and pay your tax, you may have to file your state and/or local return sooner.

**What if I get a penalty anyway?** Affected taxpayers subject to penalties and additional tax despite this relief provision may seek a waiver.

Rest assured, as the rules and deadlines change, updates will be provided. In the meantime, please stay safe during this challenging time.

**Note: This is a fast changing topic. These rules are as of March 24, 2020.**

## **New Law Requires Small Business to Provide Paid Leave**

### *Families First Coronavirus Response Act provides worker benefits*

The Families First Coronavirus Response Act is a new law passed last week that offers COVID-19 assistance for both employees and employers.

This new law provides businesses with fewer than 500 employees the funds to provide employees with paid leave, either for the employee's own health needs or to care for family members.



Here are the details of the new law's benefits:

**Paid Sick Leave for Workers:** The new law provides employees of eligible employers two weeks (up to 80 hours) of paid sick leave at 100% of the employee's pay where the employee can't work because the employee is quarantined and/or experiencing COVID-19 symptoms and seeking a medical diagnosis.

**Other Paid Leave for Workers:** Employees can receive two weeks (up to 80 hours) of leave at two-thirds the employee's pay if they need to care for someone in the following situations: The need to care for an individual subject to quarantine, to care for a child whose school is closed or childcare provider is unavailable for reasons related to COVID-19.

**Extended Leave:** In some instances, an employee may receive up to an additional ten weeks of expanded paid family and medical leave at two-thirds the employee's pay.

**Companies will get paid back:** Businesses who pay employees the mandatory sick and childcare leave according to the new law will get completely reimbursed through a payroll tax credit.

### What it means for you

Employees can take the necessary time to recover from being infected with COVID-19, or to care for a loved one, without fear of losing their job or salary.

Employers can help their employees financially while navigating COVID-19 related shutdowns.

## Tax Quiz: Who's the Highest?

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*Take this trivia quiz and test your state tax knowledge!*

Here's a quiz to test your state tax IQ and give you some fun facts about the taxes paid by friends in other states.

**Thinking about buying a new house? Which state has the highest property taxes?**

- a. Texas
- b. New Jersey
- c. Illinois
- d. New Hampshire



**b. New Jersey.** Unlike most states, New Jersey does not allow counties and cities to impose their own sales tax, so these localities get all their tax revenue from property taxes. In 2018, the property taxes in the 8 most expensive New Jersey towns averaged more than \$20,000 while another 47 towns exceeded \$15,000!

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**Which state will drive up the cost of your shopping spree with the highest sales tax?**

- a. Tennessee
- b. Washington
- c. New York
- d. Arizona

**a. Tennessee.** *At 9.53%, Tennessee has the highest combined sales tax rate in the nation. It's a tough pill to swallow when you consider that the same purchase made in Kentucky may cost only 6% in sales tax!*

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**Relocating for a new position? Which state will take the most taxes out of your new salary?**

- a. Hawaii
- b. California
- c. Minnesota
- d. Oregon

**b. California.** *Before accepting your new job, run the numbers to see how your take-home pay compares. California's top income tax bracket rate is 13.3%.*

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**If you are headed on a brewery tour, in which state will you pay more for a pint of your favorite adult beverage?**

- a. Alaska
- b. South Carolina
- c. Maryland
- d. Tennessee

**d. Tennessee.** *The Volunteer State charges a beer tax of \$1.29 per gallon. Fun fact: Tennessee is technically a dry state. The state leaves it up to individual counties and cities to determine whether alcohol can be purchased.*

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**When planning a vacation, which state charges you the most for staying in a hotel?**

- a. Massachusetts
- b. Connecticut
- c. Colorado
- d. Florida

**b. Connecticut.** *Book a room in Connecticut and you'll pay a whopping 15% in lodging taxes. To fix a temporary issue with the state budget in 2011, the state bumped it up from 12%. The Nutmeg State must have gotten used to the extra revenue.*

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## **Spare Change Goes Digital**

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*A clever new way to save...*

With close to 85% of purchases made with credit or debit cards, many people have forgotten the satisfying clinking sound of tossing a penny, nickel, dime or quarter into a glass jar of spare change. But all that is starting to change!

### Clever new savings ideas

In today's world of smartphones, several apps have digitized yesterday's jar of coins by sweeping electronic spare change into a digital jar to increase savings balances or pay down debt. For example, if you make a purchase for \$1.89, the app rounds up your purchase to \$2.00 and transfers the extra 11 cents into the app's account. Here are three of the more popular apps and how they work.



### Popular digital savings players

**Acorns.** Acorns was the first app to jump on the idea of rounding up your purchase and stashing away the extra money. The app connects directly to your debit or credit card and sweeps the difference between the transaction amount and the next dollar amount into an investment account. Since its start, Acorns has added more products like checking accounts, debit cards, budgeting tools and IRA options. Fees range from \$1 to \$3 per month depending on the types of products you use. That may not sound like much, but it should if you calculate the effective cost for these small transaction levels. For instance, if the application collects \$50 in a month and the Acorns fee is \$2, you end up paying a fee of 4% per month for the digital savings account.

**Digit.** Digit takes a different approach. Their algorithm tracks your spending and upcoming bills, then compares them against your checking account balance to figure out how much you can save. The app then automatically transfers that amount from your checking account to your savings account. You can establish three different savings goals with Digit. The app will then distribute the amount it sweeps from your checking account into each of the three savings buckets depending on how you prioritize them. Worried about overdrafts? You can set a minimum checking balance, so transfers won't be made if you don't have enough in the account. If that fails, Digit will reimburse you for the overdraft fees. At \$5 per month, it's one of the more expensive micro-savings apps. If interested, they offer a 30-day trial to test drive their digital savings tool.



**Qoins.** Looking to pay down debt? Qoins might be the app for you. Like Acorns, Qoins takes the difference between each transaction and the next dollar amount, then aggregates the amount over the course of a month. But instead of investing this amount, Qoins makes a monthly payment to pay down the principal of a student loan, credit card or other debt. Qoins charges a fee of \$2 for every monthly payment, so if you have many accounts, the monthly fee can add up quickly. In most cases, the interest expense saved on paying down debt early is more than the interest you can currently earn in a savings account.

The area of digital money saving applications is rapidly evolving. Before using any of these apps, it is important to understand their costs and risks involved, compared to other ways of saving money.

## Is Your General Ledger Squeaky Clean?

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### *Spring cleaning for your business should include cleaning up your general ledger*

With spring now here, it's natural to start thinking about doing some spring cleaning. But don't limit the cleanup effort to your house — your business's accounting system and general ledger needs cleaning, too! Here are five areas of your financial statements that may be due for a spring cleaning:

**Inventory.** Inaccurate inventory on your balance sheet can have grave consequences. If your balance sheet shows more inventory than you actually have, you may not be able to fulfill orders and risk losing business. If your balance sheet shows less inventory than you have on hand, you might procure more inventory than you need. In both cases, you run the risk of having inventory you can't sell.



**Action:** *Perform a physical count and reconcile the amount against the inventory value on your general ledger. Conduct the necessary research and make the required adjusting entry to tie out your salable inventory value. If you have moved that inventory 3 times to get it out of the way, figure out a plan to get rid of it and turn it to cash, a donation or scrap.*

**Accounts Receivable.** In an ideal world, you provide a good or a service to your satisfied customer, who then pays you within an agreed-upon timeframe. Unfortunately, invoices get lost, priorities get shuffled, or a customer's payable contact leaves for another job. An open invoice could also simply be the result of a mistake.

**Action:** *Now is a great time to get your accounts receivable ledger in order by running an aging report that highlights outstanding receivables that are past due. Focus on getting clients to pay these past-due invoices, clear up any misunderstanding, or send the bills out to be professionally collected. If you have salespeople, put a reduction in the commission plan if balances are not collected within 60 or 90 days. Salespeople can be great collectors when they have a financial interest!*

**Fixed Assets.** It's easy to leave old fixed assets on your balance sheet after they've been disposed. Doing this can create a whole host of problems, including an understatement of net income, tax compliance issues, and an inaccurate business valuation. State sales tax agencies also like to look through your fixed asset listing to see if you failed to properly pay use tax.

**Action:** *Audit your fixed assets listing in the same way you make a physical count of your inventory. If you have not already done so, create asset tags and build a new fixed asset subledger. Remove any obsolete or sold/disposed assets from your balance sheet. Also consider documenting your fixed assets with a photo or video camera, and send copies to your insurance company for their records. Photos can also be a great way to document an equipment's serial number.*

**Liabilities and Loan Accounts.** All loans have two components: principal and interest. A portion of every payment goes to pay down the principal on the balance sheet and a portion goes to paying interest expense. These principal and interest amounts change every month based on the loan's amortization schedule. The most common mistake when recording your loan payments is assigning the entire monthly payment to EITHER principal OR interest expense.

**Action:** *Conduct a timely reconciliation of balances per your loan statements to the value on your books.*

**Payroll Accounts.** Properly accounting for paychecks can be complicated. For example, gross payroll amounts and payroll taxes hit your income statement as an expense while employee tax withholdings go on your balance sheet until they are remitted to the appropriate taxing authority. Add in benefits and other taxes and you



could have a mess.

**Action:** Periodically review your payroll entries against your payroll account. If you have not already done so, set up a separate payroll bank account and ask for help to audit or run your payroll for you.

Taking the time now to review these key accounts will ensure accurate financial statements and make future period closing activities easier to handle.

## Keep Your Social Security Number Safe

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### *Identity thieves are very active right now*

Countries and citizens around the world are banding together to defeat the coronavirus. While your attention is concentrated on protecting your family, friends and community, identity thieves are seeing an opportunity to swipe your confidential information.



Very few things in life create a higher degree of stress and hassle than having your Social Security Number (SSN)

stolen, especially during a pandemic like we are now experiencing. This is because, unlike other forms of ID, the SSN is virtually permanent. While most instances of SSN theft are outside your control, there are some things that you can do to minimize the risk of this ever happening to you.

**Never carry your card.** Place your SSN card in a safe place. This place is NEVER your wallet or purse. Only take the card with you when you need it, then return it immediately to your designated safe place.

**Know who needs it.** As identity theft becomes more common, there are fewer people or organizations who really need to know your Social Security number. Here is a list of entities who still need your SSN:

- **The government.** Federal and state governments use this number to track your earnings for retirement benefits and to ensure you pay proper taxes.
- **Your employer.** The SSN is used to track your wages and withholdings. It is also used as proof of citizenship and to contribute to your Social Security and Medicare accounts.

- **Certain financial institutions.** Your SSN is used by various financial institutions to prove citizenship, open bank accounts, provide loans and establish other forms of credit.

**Know who really does not need it.** Many other vendors may ask for your Social Security number, but having it is not an essential requirement. The most common requests come from health care providers and insurance companies. But the request for your number may come from anyone who wishes to collect an unpaid bill. When asked on a form for your number, leave it blank. Challenge the provider if it is requested.

**Destroy and distort.** Shred any documents that have your SSN listed. When providing copies of your tax return to anyone, distort or cover your SSN. Remember your entire SSN could appear on the top of each page of Form 1040, although that is becoming less common. If the government requests your SSN on a check payment, only place the last four digits on the check, while pre-filling the first five digits with x's.

**Keep your scammer alert on high.** Never give out your SSN over the phone or via e-mail. Do not even confirm your SSN to someone who happens to read it back to you on the phone. If this happens to you, file a police report and report the theft to the IRS and Federal Trade Commission.

**Proactively check for use.** Periodically check your credit reports for potential use of your SSN. If suspicious activity is found, have the credit agencies place a fraud alert on your account. Remember, everyone is entitled to a free credit report once a year. Multiple businesses can provide you with your free credit report.

Replacing a stolen SSN is not only hard to do, it can create hardships. You will need to re-establish your credit history, re-assign your SSN benefits history, and realign your tax records. Your best defense is to stop the theft before it happens.

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



## P A S T I S S U E S

March 2020	February 2020	January 2020	December 2019
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