TaxTips

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ETFS

EXPRESS TAX & FINANCIAL SERVICES

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Protecting Your Business From Scams

Fraudulent activity is on the rise

Approximately 1 in 18 Americans have their identities stolen each year. Among the many identity theft scams is an emerging hoax in which cybercriminals obtain remote control of computer systems to hack into sensitive employee information to steal identities. Thieves will then use a stolen social security number to file a tax return and claim a fraudulent refund. Criminals may also use stolen employer identification numbers to create false Forms W-2 to support refund schemes. This threat is particularly relevant to office settings, so be sure that you and your employees are using proper precautions at work to avoid being victimized.

Scammers use a variety of methods to enter computer systems, often through the use of malicious software, such as viruses, worms, Trojans, adware, spyware and ransomware. This threatening software has the potential to not only impact you, but your employees and business clients as well.

To protect yourself and your office from malicious software, all of your employees should have anti-virus software installed and maintained on their computer at all times. When selecting an anti-virus program, be sure to only install it from sources you trust. You may also want to consider placing certain IT restrictions on employees regarding what types of software they can install.

You'll want to review any software that your employees use to remotely access your network and that your IT vendor uses to support your systems and remotely trouble-shoot technical problems. Remote access software is a potential target for scammers to gain entry and take control of a device.

Top Tax Scams

IRS warns to be vigilant

Each year, the IRS releases their "Dirty Dozen" list of the year's most prevalent tax scams. Here are a few examples:

- **Identity Theft.** These scams are especially prevalent during tax season. During the 2015 tax season, there was a significant rise in the number of identity theft cases. The IRS has taken major strides to protect taxpayers from the threat of identity theft during the upcoming tax season.
- **Telephone Scams.** Callers impersonating IRS agents will contact victims and threaten them with police arrest, deportation, license revocation and more. Remember, the IRS will never initiate contact with a phone call.
- **Phishing.** Phishing scams use unsolicited emails or fake websites made to appear legitimate but are intended to steal your personal information. Remember, the IRS will never send you an unexpected email about a bill or tax refund.
- **Return Preparer Fraud.** Dishonest tax return preparers have been known to set up shop and steal personal information from their clients.
- **Inflated Refund Claims.** Be cautious of any supposed tax return preparers promising a large refund. Do not use the services of anyone who asks you to sign a blank return, promises a big refund before looking at your tax records or changes fees based on a percentage of the refund.
- **Fake Charities.** Groups have been known to masquerade as charitable organizations to attract donations from unsuspecting contributors.

For the entire listing of all 12 scams, visit irs.gov.

Independent Contractors and Taxes

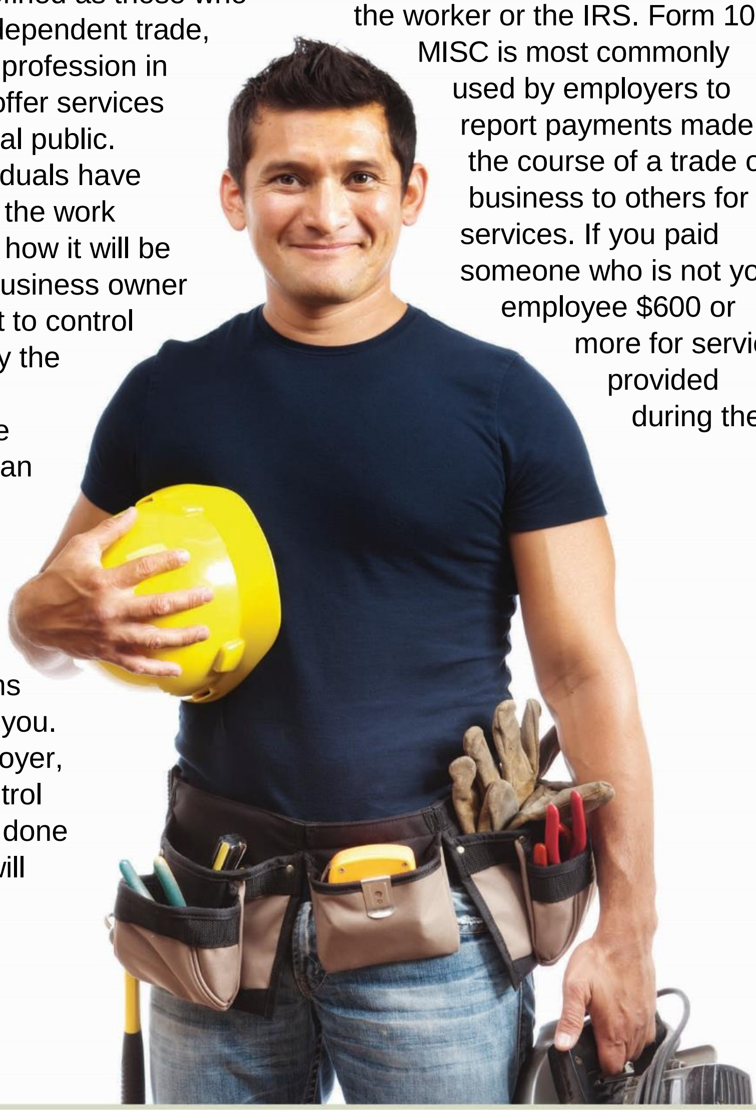
The difference between contractors and employees

It's vital for all employers to properly distinguish between what constitutes an employee and an independent contractor in order to ensure that everyone receives the proper tax treatment.

Independent contractors are generally defined as those who are in an independent trade, business or profession in which they offer services to the general public. These individuals have control over the work they do and how it will be done. The business owner has the right to control or direct only the result of the work. On the other hand, an employee is generally defined as an individual who performs services for you. As the employer, you can control what will be done and how it will be done.

Generally, employers must withhold income taxes, withhold, match and pay Social Security and Medicare taxes, and pay unemployment tax on wages paid to employees. Business owners do not generally have to withhold or pay any taxes on payments made to independent contractors.

Form W-9, *Request for Taxpayer Identification Number and Certification*, and Form 1099-MISC, *Miscellaneous Income*, are necessary components of working with an independent contractor. Once you've determined that an individual you are paying is an independent contractor, you'll need to have him or her complete a Form W-9. Be sure to keep the independent contractor's W-9 in your files for four years or longer, in case any questions arise from the worker or the IRS. Form 1099-MISC is most commonly used by employers to report payments made in the course of a trade or business to others for services. If you paid someone who is not your employee $600 or more for services provided during the



year, a Form 1099-MISC needs to be completed and provided to the independent contractor by January 31 of the year following payment.

If you have questions relating to independent contractors, please give me a call.

Health Care Tax Credit

Does your business qualify

If you own a small business or run a tax-exempt organization with fewer than 25 full-time employees, the Small Business Health Care Tax Credit can help you provide insurance to your employees. If you paid for at least half of employee health insurance premiums, you may even be able to save on your taxes.

The following guidelines can help you determine whether your business qualifies for a health care tax credit and what you need to know about claiming it if your business does qualify:

- **Maximum Credit.** The maximum credit is 50 percent of premiums paid by small business employers. The maximum credit is 35 percent of premiums paid by small tax-exempt employers, such as charities.
- **Number of Employees.** You must have fewer than 25 full-time employees, or a combination of full-time and part-time employees. For example, two half-time employees equal one full-time employee for purposes of the credit.
- **Average Annual Wages.** For 2015, the average annual wages of your employees must have been no more than $52,800. The IRS will adjust this amount for inflation each year.
- **Half the Premiums.** You must have paid a uniform percentage (at least 50 percent) of the cost of premiums for all enrolled employees.
- **Qualified Health Plan.** Generally, you must have purchased a qualified health plan from a Small Business Health Options Program (SHOP) Marketplace. There are limited exceptions to this requirement.
- **Two-Year Limit.** As of 2014, an eligible employer may claim the credit only for two consecutive taxable years.
- **Tax Forms to Use.** Employers use Form 8941, *Credit for Small Employer Health Insurance Premiums*, to calculate the credit. Small business employers claim the credit on their annual income tax return. Small tax-exempt employers claim it on Form 990-T, *Exempt*

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Understanding the ACA

New tool helps employers understand what ACA means for their business

The IRS Taxpayer Advocate Service (TAS) has developed a new employer shared responsibility provision estimator tool designed to help employers better understand how the *Affordable Care Act* Employer Shared Responsibility Provision (ESRP) works and how the provision may apply to them.

As an employer, you can use this tool to determine:

- The number of your full-time employees, including full-time equivalent employees.
- Whether you might be an applicable large employer.
- An estimate of the maximum amount of potential liability for the employer shared responsibility payment.

Please note: This tool will only help provide the above information for the tax year 2016 and beyond. I can work with you to determine your responsibility and avoid penalties.

Organization Business Income Tax Return.

If you are a small business employer, and the credit is more than your tax liability for the year, you can carry the unused credit back or forward to other tax years. If you are a small tax-exempt employer, the credit is refundable, so even if you have no taxable income, you may receive a refund as long as it does not exceed your income tax withholding and Medicare tax liability for the year.

Employer Mandate Penalties

Avoiding liability

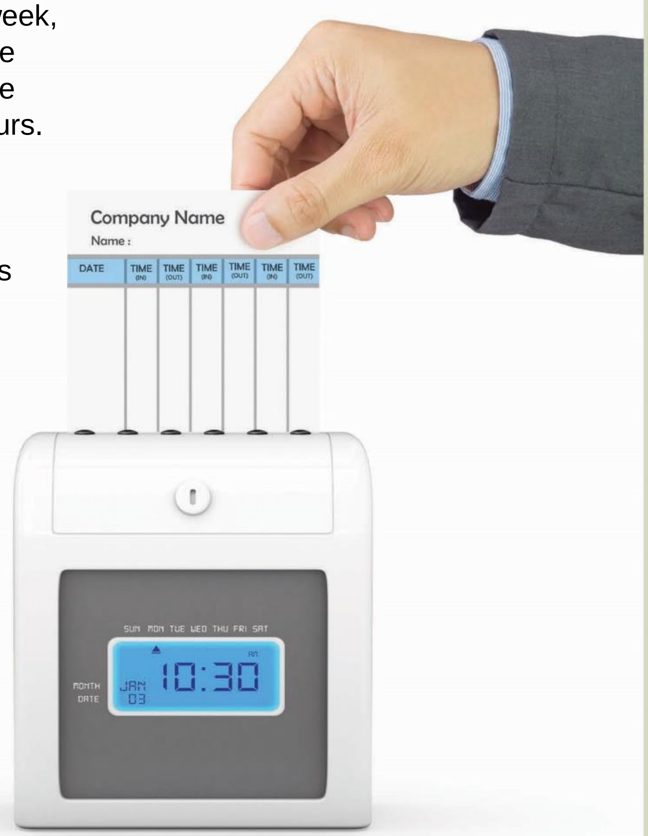
Added by the *Affordable Care Act*, §4980H of the Internal Revenue Code provides that employers may be required to pay an assessable payment if they do not offer health coverage to their full-time employees and at least one full-time employee purchases coverage through the Marketplace and receives the premium tax credit. For this purpose, an employee is considered "full-time" if he or she averages at least 30 hours of service per week during a given month.

Keep in mind, however, that if you have restrictions in place that do not allow employees to work more than 29 hours per week, certain employer mandate penalties can apply. If an employee who is restricted from working more than 29 hours actually works an average of 30 hours per week, penalties can potentially be triggered for that month the employee works those hours.

You can potentially avoid the employer liability as long as the employee does not purchase coverage on the Marketplace and receive the premium tax credit. The employee must average 30 or more hours of service per week during a given month for the liability to be avoided.

An employee who is covered by Medicare is ineligible to receive the premium tax credit and, therefore, generally would not lead to any employer liability.

This is just a brief overview of an extremely complex topic. Please call me for guidance should you have any questions.



Form	2017 Filing Due Date	Previous Due Date
C Corporations (Form 1120)	April 18*	March 15
S Corporations (Form 1120S)	March 15	No change
Partnerships (Form 1065)	March 15	April 15
Sole Proprietorships (Form 1040)	April 18*	No change

* Due to the observance of Emancipation Day in Washington, D.C., the 2017 filing date is April 18, rather than April 15, for these particular forms.

Business Tax Due Dates for 2016 Returns

As tax season approaches, remember these deadlines

As you're preparing for the 2016 filing season, keep the due dates to the left in mind. Penalties for missed deadlines can be significant. Please note: As a result of various Congressional provisions, some of the dates differ from last year.

You'll also want to note that the extension dead line for Form 1065 remains September 15, as it has a longer extension period—a maximum of six months—rather than the current five-month extension.