

# Client Update October 2019

FINAL VERSION

## This month:

### October 1

- SIMPLE IRA plan establishment due

### October 15

- Extended individual and C-corp tax return filing deadline

### October 31

- Halloween

Autumn's in full swing, meaning it's time to start preparing for the busy months ahead. You can get ready by learning about the Form 1040 updates you'll see this 2019 tax season, as well as the new Marketplace Facilitator sales tax laws for anyone that sells through Amazon or eBay. You can also brush up on your rights if a bill collector ever harasses you.

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.

## Another Year, Another New 1040

In 2018, the government attempted to “simplify” the tax-filing process by drastically shortening Form 1040. The result was six new schedules that created a lot of confusion. Now the IRS is attempting to ease some of that pain by revising the form and removing some schedules. Will it help? Here is what you need to know:

- **More information on the main form.** To make it easier for the IRS to match pertinent information across related tax returns, new fields have been added on the main Form 1040. For example, there's now a spot for your spouse's name if you choose the married filing separate status. In addition, there's a separate line for IRA distributions to more clearly differentiate retirement income.
- **3 schedules are gone.** What was your favorite memory of Schedules 4, 5 and 6? Was it the unreported Social Security tax on Schedule 4? Or the credit for federal fuels on Schedule 5?

While those schedules will no longer exist, those lines (and many others) have found a new home on one of the first three schedules. Less paperwork, but still the same amount of information.

- **You can keep your pennies!** For the first time, the IRS is eliminating the decimal spaces for all fields. While reporting round numbers has been common practice, it's now required.
- **Additional changes on the way.** The current versions of Form 1040 and Schedules 1, 2 and 3 are in draft form and awaiting comments on the changes. Because of the importance of the 1040, the IRS is expecting to make at least a few updates in the coming weeks (or months) before they consider it final. Stay tuned for more developments.

### **How to prepare for the changes**

The best way to prepare is to be aware that 1040 changes are coming. The information required to file your taxes will remain the same, but some additional hunting will be necessary to find the shifting lines and fields on the modified form.

Remember, changes bring uncertainty and potential for delays, so getting your tax documents organized as early as possible will be key for a timely tax-filing process.

## **Bill collector calling? Know your rights**

Maybe you're behind on paying your bills because of circumstances outside of your control. Or perhaps there's been an error in billing. Either way, these scenarios may lead to a run-in with a debt collector.

Fortunately, there are strict rules in place that forbid any kind of collector harassment in the U.S. If you know your rights, you can deal with debt collection with minimal hassle. Here's what to remember:

- **You have a right to details — without harassment.** When a debt collector calls, they must be transparent about who they are. They need to tell you: "This is an attempt to collect a debt, and any information obtained will be used for that purpose." In addition, debt collectors cannot use abusive language, or threaten you with fines or jail time. The most a debt collector can truthfully threaten you with is that failure to pay will harm your credit rating, or that they may sue you in a civil court to extract payment.
- **You don't have to put up with 24/7 calls.** Debt collectors may not contact you outside of "normal" hours, which are between 8 a.m. and 9 p.m. local time. They may try to call you at work, but they must stop if you tell them that you cannot receive calls there. Keep in mind that debt collectors may not talk to anyone else about your debt (other than your attorney, if you have one). They may try contacting other people, such as relatives, neighbors or employers, but it must be solely for the purpose of trying to find out your phone number, address or where you work.

- **You can tell them to stop.** Whether you dispute the debt or not, at any time you can send a "cease letter" to the collection agency telling them to stop making contact. You don't need to provide a specific reason. They will have to stop contact after this point, though they may still decide to pursue legal options in civil court.
- **You can dispute collection.** If you believe the debt is in error in whole or in part, you can send a dispute letter to the collection agency within 30 days of first contact. Ask the collector for their mailing address and let them know you are filing a dispute. They will have to cease all collection activities until they send you legal documentation verifying the debt.

If a debt collection agency is not following these rules, report them. Start with your state's attorney general office, and consider filing a complaint with the U.S. Federal Trade Commission and the Consumer Financial Protection Bureau, as well.

## Amazon and eBay Sales Tax ALERT!

If you or your business sells product on Amazon using the Fulfillment by Amazon (FBA) service, you are well into the multi-state sales tax mess ... even if you are not aware of it. You may be asking yourself:

- Do I now need to register my business with every state and collect tax on their behalf?
- Do I really have physical nexus? What about economic nexus? What is nexus?

### Background

The old sales tax standard required you to collect and remit sales tax only in states that you have a physical presence (also known as physical nexus). The recent South Dakota vs. Wayfair, Inc. decision by the Supreme Court then legitimized the concept of economic nexus. This means your business could be required to collect and remit sales tax based on where you ship a product and not whether you ever set foot in a particular state (economic nexus).

### The bigger mess

States were quick to jump on the bandwagon and actively identify Amazon, Ebay and Walmart sellers to demand sales tax for website sales. Some states, like California, got even more aggressive and decided that FBA sellers actually have physical presence because Amazon may put your product in a warehouse in their state. They got seller lists from Amazon and sent out threatening letters to small sellers demanding back sales tax, even though businesses have no way to retroactively collect the tax because the customers are Amazon customers.

### Marketplace facilitator to the rescue?

To help address this mess and alleviate the need for small businesses to collect and remit sales tax forms to 50 states, many states acknowledged the problem and have passed what is called Marketplace Facilitator laws.

In short, it's on the facilitator, NOT you. States with these laws require Amazon, Ebay and similar companies that facilitate sales for resellers to collect and remit sales tax on reseller Amazon activity. There are more than 30 states that have adapted these laws.

You DO NOT need to register your business to collect sales tax in states that have Market Facilitator legislation unless you are otherwise required to do so.

### **What you need to know**

- **Know the states.** Know which states have Marketplace Facilitator laws. If you don't, you could unwittingly register your business with a state when you do not have to do so.
- **Some states deploy deceptive tactics.** For example, California passed a Marketplace Facilitator law effective October 2019. Despite this law, the California Department of Tax and Fee Administration (CDTFA) is actively soliciting (threatening?) small businesses who sell on Amazon to register and remit sales taxes for a time period prior to this date without disclosing the new law. To make matters worse, their sales tax registration form could make you personally liable for business-related sales tax and disclose your confidential supplier list. It may also be filled with other legal entrapments.
- **Know the minimums.** Even states without Marketplace Facilitator laws typically have minimum thresholds before they require you to collect and remit sales tax. Every state is different, but the typical limit is 200 transactions or \$20,000 in sales.
- **Check out streamline states.** Collecting and remitting sales tax is a daunting task for any small business. Using a third party sales tax administrator is very expensive. There is some help, albeit still complicated, for registering with 23 states that are part of a streamline sales tax agreement. Sales tax collection in multiple states is not for the faint of heart. Streamline Sales Tax and Bill Track 50 are a few of the popular sites that can help.

## **Decoding the New Dating Scene**

Are you feeling a little in the dark about the new vocabulary developing around dating? It's not surprising, especially when you hear a term like getting "ghosted."

Luckily, you're just a few dating slang definitions away from having a better understanding of this vocabulary — often used on social media. It's important to understand, especially if you have young people in your life who are dating.

Here are a few popular slang terms and their definitions, plus conversation-starter ideas for when you encounter them:

- **Breadcrumbing** Also known as stringing someone along. When someone offers just enough attention to another person to maintain hope there will be a relationship someday. Some examples include sending occasional texts and in-person flirting. **Conversation starter:** *Breadcrumbing can happen before a relationship begins, although sometimes a concrete relationship never forms. This could just be flirting, but there may also be a more serious reason a relationship isn't starting. Ask your teen how they're feeling about the person they like, and if there are issues around starting a relationship with them.*
- **Instagrandstanding** Creating Instagram posts meant to capture the attention of a specific person. This includes posting photos from certain locations the person has a history of visiting, and providing references to music, food or clothing the person is known to favor. **Conversation starter:** *Has your child started exclusively posting on Instagram about South America after their new classmate just moved from Ecuador? Sounds like they're Instagrandstanding. Ask them about their interest in the classmate.*
- **Love bombing** Communicating strong affection for someone at an early stage in a relationship. This is often considered a dating faux pas, and may be a manipulation tactic. For instance, going on a first date with someone and then confessing a desire to marry them the next day. **Conversation starter:** *If your teen is dealing with love bombing fallout, talk to them about their actions and how it affected their relationship. This would be a good time to discuss appropriate levels of showing affection and why it's sometimes challenging to manage. Discuss how love bombing can also be used to negatively control a relationship.*
- **Ghosting** Stopping all communication for no apparent reason or explanation. This means no more calls, texts, emails, social media messaging or in-person meetings. If someone ghosts you, they will not respond to any of your attempts to communicate with them, and will sometimes actively block you on social apps. **Conversation starter:** *Ghosting can feel especially harsh to someone who didn't suspect there was a problem with a relationship. If your teen has been ghosted, ask them how they are feeling and let them know there may not be a logical reason it happened. If you find out your child has ghosted someone, ask them why. Talk to them about better ways to handle ending a difficult relationship.*

- **Catfishing** Creating a totally bogus identity online and using it to manipulate someone to provide money or other favors. Catfishing is deceptive, as well as dangerous and illegal when used to steal identities. It can be a form of digital bullying. In the dating world, someone might catfish to hide their identity out of shame or embarrassment regarding their physical appearance, social status, age, gender or other traits. **Conversation starter:** *If someone has been catfished, get details about whom they thought they were talking to and what kind of information they shared. If you find someone is catfishing others, tell them to stop immediately. It is wrong and may need to be reported to the victim and the proper authorities.*

Use these conversation starters to start a meaningful dialogue and ultimately promote trust and open conversations with your kids.

## Reminder: Time to Start the Financial Aid Process

If you have a child in college or entering college during the next school year, you need to read this. You can now fill out your required Free Application for Financial Student Aid (FAFSA) for the next school year.

### FAFSA application timeframe

The Free Application for Federal Student Aid (FAFSA) process opened on Oct. 1.

### The time to file is now

The earlier you file your application, the earlier you will receive aid packages from most participating schools. The application is used to receive grants, federal loans and work study awards. Here are some hints to ensure the application process works in your favor:

- **Create your FSA ID.** If you have not already done so, both the student and a parent will need to set up a Federal Student Aid (FSA) ID (username and password) within the FAFSA system. You cannot submit the FAFSA form without first doing this.
- **File the FAFSA early!** As soon as possible, fill out and submit your FAFSA. Filing early maximizes your chances of receiving aid. It also minimizes your chances of missing an unknown application deadline.
- **Use your tax records.** Because the year is not yet over, you can use last year's (2018) tax information when filling out the application. There are IRS tax return data retrieval tools within the online application to automate this process.
- **Talk to your advisors.** If you have a child ready to attend college, stay in touch with both your financial advisor and your school advisor. A financial advisor is used to help manage your assets

to present a good financial picture starts before your student's junior year in high school. The school advisor is a great resource to help you find potential sources of money.

- **Collect the right info.** To fill out a FAFSA you will need the following:
  - Social Security number
  - Alien registration number (if not a U.S. citizen)
  - Federal tax information
  - Record of any nontaxable income (excluding retirement account balances)
  - Balances of the following:
    - Cash, savings and checking accounts
    - Investment asset balances
    - Other assets
    - FSA ID

Filling out the form can be a daunting task for the uninitiated, but with proper preparation you can get your form done in quick order.

## 5 Ways Payroll Services Boost a Business

Is a payroll provider right for you and your business? While it is an added expense, there are good reasons to add a partner to help with this service. Here are five things to consider:

1. **Allows full attention on growing the business.** If a portion of employees is focused on managing and processing payroll, business growth opportunity may be stifled. This is especially true if a key employee or owner is the one processing payroll. By outsourcing payroll responsibilities, the full workforce can concentrate on growing the business.
2. **Improves accuracy and compliance.** Most entrepreneurs didn't go into business to tabulate hourly time cards, calculate tax withholdings, or stay current with the constantly changing government filing requirements. Thankfully there are those who specialize in monitoring labor regulations, compliance updates and the number-crunching that payroll requires. This will invariably improve the payroll accuracy a business needs.
3. **Lowers audit risk and increases peace of mind.** Federal taxes, state taxes, local taxes, Social Security, Medicare, unemployment taxes and overtime requirements are long (and growing). Payroll services reduce audit risk on the front end and provide audit assistance on the back end.

4. **Enhances internal controls.** Separation of duties is an important internal control for all businesses. This is tough to do in a small company. Businesses with one or two-person payroll departments are susceptible to fraud or embezzlement. Adding an outside payroll service can provide the checks and balances a company needs to stay protected.
5. **Save money.** One of the key methods of reducing business costs is adding efficiency. Outsourcing payroll increases efficiencies because payroll professionals need fewer hours to get the job done. These time improvements, coupled with potential savings in penalties and interest, can have a positive effect on net income.

When laying out and understanding all aspects of using a payroll service, it may be time to review your situation.

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

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