

- p2 Are You Holding Unclaimed Property?
- p3 Taxability of Fringe Benefits – Pt. IV
- p4 The IRS’s Private Collection Agencies

Small Business Services Group



Helping Our Small Business Clients Reach Their Full Potential

"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."

Arthur Godfrey, 1903 – 1983,
American broadcaster and entertainer.

**TRONCONI SEGARRA & ASSOCIATES
SMALL BUSINESS MANAGEMENT TEAM**

- Michael B. Dolan, CPA, Partner
- Lynn T. Domachowski, CPA, MBA,
Partner of Counsel
- Carol G. Salvatore, CPA, Partner
- Diane M. Straka, CPA, Partner
- Melissa S. Howell, CPA, Senior Manager
- Lisa A. Mirkall, CPA, MBA, Senior Manager
- Mary L. Shetler, CPA, CFE, Senior Manager
- June Callari, CPA, MBA, Manager
- Maria A. Dojka, CPA, Manager
- Michele A. Loretto, CPA, Manager

8321 Main St., Williamsville, NY 14221
716.633.1373 | Fax 716.633.1099

State Taxes – Are You in Compliance?

By Michele A. Loretto, CPA, Manager

States are aggressively looking for taxpayers that are doing business in their state and not filing returns. Rather than wait until your company receives a state tax notice, we recommend that you proactively look at where your company may have state tax return filing requirements. Once a state has contacted you or determined you have nexus, the chances of negotiating a favorable outcome are greatly reduced. If a state has determined your company has nexus, the state has the right to request tax returns back to the date you began doing business in the state. This can be quite costly, not only in taxes, but also time spent resolving the matter.

For example, ABC Company has been selling products in State Z for 10 years and never filed sales tax returns. State Z determines ABC Company has nexus for sales tax purposes. State Z can request sales tax returns for the past 10 years (practically speaking most states will go back 6 to 8 years). Assume ABC Company had annual sales of \$50,000 a year in State Z. ABC Company could owe \$40,000 or more in sales tax, penalties and interest. This amount could have been reduced to less than half that amount had the company identified and addressed the matter proactively.

To reduce or prevent the risk of state tax underpayments, it is important to consider if your company is doing business in other states.

Start by asking yourself the following questions:

- Do we have sales in other states?
- Do we have locations in other states?
- Do we have employees or representatives that are residents of other states or making sales calls in other states?
- Do we send employees or subcontractors to make repairs or perform installations in other states?
- Do we have inventory, equipment or other assets in other states? If you are selling through Amazon’s “Fulfillment by Amazon” program, you likely have nexus in multiple states because your inventory could be held in Amazon fulfillment centers across the country.

If you answered yes to any of the above questions, your company should consider conducting a nexus study. A nexus study is a detailed review of sales and business activities by state to identify and quantify the risk of tax underpayment. Once nexus with a state is determined, a proactive plan can be put in place to reduce the risk of potential unreported liability.

Please contact Tronconi Segarra & Associates with any questions you may have regarding state income or sales tax nexus.

Pre and Post Mortem Planning Considerations

By Lisa A. Mrkall, CPA, MBA
Senior Manager

“Getting our affairs in order” is a term we often hear when a loved one is close to passing on. Some may wonder – “what exactly does this mean?” The answer to this question may be different for every family. It’s all about planning for the future, which can make all the difference in an emergency.

As your tax advisor we’d like to share some of the more important and practical considerations you should address every three to four years, at the very least.

Financial power of attorney. Make sure the power of attorney form is up-to-date and address any state-specific power of attorney rules.

Health care proxy and living will. Make sure both are up-to-date.

Beneficiary designations. Check your beneficiary information from time to time to

ensure they are who you intend them to be, especially in cases of divorce or other significant life changes.

Life Insurance. Stay current on your life insurance premiums and make sure you have adequate coverage.

Wills and Revocable Trusts. Review your estate planning documents periodically to ensure some control over what happens to your assets after your death.

Passwords. Often overlooked, prepare a list of passwords in order to help your family members and fiduciaries find your valuable and significant online and digital property and provide for a smooth estate administration.

In addition to the above pre-mortem planning considerations, planning post-mortem is equally as important. For example, timing and payment of medical and estate administration expenses should be carefully considered. Such expenses may be claimed on either the decedent’s final income tax return or

deductions for estate tax purposes. Commissions to the estates fiduciary and whether it will be paid by the estate or waived is another post-mortem planning consideration.

Keeping your important documents in one place and telling a trusted family member or friend is sure to be helpful in the case of an emergency. Please do not hesitate to contact our office for assistance in preparing or updating any of the above items. □

PLEASE CONSIDER US IF YOU NEED ADDITIONAL SERVICES, INCLUDING BUT NOT LIMITED TO:

- ESTATE PLANNING
- SUCCESSION PLANNING
- CROSS-BORDER
- TRANSACTION ADVISORY
- FRANCHISEE SERVICES
- VALUATION SERVICES

ARE YOU HOLDING UNCLAIMED PROPERTY?

Are you holding unclaimed property that should be turned over to the New York State Comptroller’s Office of Unclaimed Funds? Chances are - you are. The New York State Abandoned Property Law requires organizations to review annually and report unclaimed property that has been dormant. Many companies may not realize that wages, payroll, salaries, commission, and pension payments that have been uncashed for three years or more need to be reported to the NYS Comptroller. Other three year property includes funds held in escrow by attorneys. Miscellaneous property unclaimed for five years includes: outstanding checks for goods or services; any unclaimed amount for services not rendered or goods not delivered; unredeemed gift certificates and gift cards; unclaimed money or securities held in escrow; and an amount representing an unpaid lottery.

For more information and a complete list of unclaimed property type tables, see the [NYS Handbook for Reporters of Unclaimed Funds](#).

Maria A. Dojka, CPA
Manager

President Trump’s Inaugural Address

By June Callari, CPA, MBA, Manager

As President Donald J. Trump was sworn in as our country’s 45th president on January 20, 2017, he addressed the people of this nation, stating that there will be a transfer of power back to the people.

He stated that, for too many years, American jobs and American factories have gone by the wayside. A new vision will govern our land. It’s going to be America first. “Every decision on trade, on taxes, on immigration, on foreign affairs will be made to benefit American workers and American families. We must protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs” said the President.

President Trump went on to say that two simple rules will allow us to accomplish this goal, “Buy American and hire American.” Included in that goal is the rebuilding of American infrastructure with American labor that has been on welfare. President Trump has already signed an executive order that he

believes will benefit the American worker, by calling for the U.S. withdrawal from the Trans-Pacific Partnership (also known as the “TPP”).

In his inaugural address, President Trump stated that we seek friendship and goodwill with all nations, reinforcing existing alliances and forming new ones, all the while maintaining loyalty to our country. Further stating that “When your heart is open to patriotism, there is no room for prejudice.”

We are called to think big and dream even bigger, as he calls politicians to action. Stating “No challenge can match the heart and fight and spirit of America.”

He proudly stated, “A new national pride will stir ourselves, lift our sights and heal our divisions. Together we will make America great again.”

Also see our most recent article, “As Trump Takes the Reins, How Might Taxes be Affected?” in the Early Winter 2016 Client Newsletter.

Gov. Cuomo's "State of the State"

By Vedha Krishnamoorthy, Senior Accountant

New York State Governor Andrew Cuomo announced in his State of the State address on January 9, 2017, the specific details related to the \$500 million in state funding that will be dedicated towards development plans in Western New York. Governor Cuomo said that he believes in "growth, potential and leadership in Buffalo."

Governor Cuomo stated that he is pleased with the Buffalo Billion's first wave of funding that helped bring Solar City to WNY and other investments by IBM, the Northland Training Center and AMRI. The Buffalo Billion is credited with improving the community's swagger and encouraging a high level of private sector investments.

Other key accomplishments noted in his address include: a 22.4 percent increase in construction jobs over the past five years and 14 percent growth in visitors to the region.

Unemployment went from 8.4 percent to 5.1 percent, with economic recovery all across the state. In addition, spending has declined 1.4 percent over the past six years and tax rates for New Yorkers are lower today than they were 5 years ago. The 2 percent property tax cap also saved New York homeowners \$16 billion and of that \$1.6 billion was saved in Western New York, with a typical homeowner saving \$2,600.

Other key proposals by Governor Cuomo include: bringing ride sharing services like Uber to Upstate New York, free college tuition for those whose family earns less than \$125,000 annually, a \$10 million workforce development plan to meet the jobs being created, to transform 1,000 acres into a new industrial park for advanced manufacturing, to reuse the land at the Bethlehem Steel site and finally, to provide an educational program to transition students from high school to higher education.

Taxability of Fringe Benefits for Owners of Flow-Through Entities

By Melissa S. Howell, CPA, Senior Manager

Part IV: Educational Assistance

Oftentimes employers provide the benefit of covering some educational costs for their employees. As a continuation of our on-going series on the tax treatment of fringe benefits, we'd like to discuss the proper tax treatment of benefits provided under an employer educational assistance program.

An educational assistance program allows employers to pay for qualified educational expenses up to \$5,250 and to exclude those benefits from the employee's gross taxable wages. Qualified educational expenses include tuition, fees, books, equipment and supplies for both undergraduate and graduate level courses. This exclusion does not include the cost of meals, lodging, transportation, or any tools or supplies (other than textbooks) that an employee can keep after completing the course. The education does not have to be job related to qualify as excludable.

The employer must document the educational assistance program in written form and offer the benefit to all employees. Educational expenses provided to an employee in excess of \$5,250 are considered taxable income and should be added to the employee's gross taxable wages. For purposes of educational benefits, greater than 2 percent shareholders are treated as employees. Similarly, partners would include the excess benefit in their annual guaranteed payments reportable on Schedule K-1, which is subject to self-employment tax on their personal tax return.

There are many fringe benefits available that can be offered to owners and their employees. It is important to understand the tax implications of each type of fringe benefit to ensure proper reporting. **Watch for Part V in our next Small Business Newsletter coming this spring.**

For assistance in determining the proper taxability of fringe benefits offered by your company, please contact Tronconi Segarra & Associates.

TOOLS, TIPS & TIDBITS

Tax Year 2017 Key Amounts

Standard Deductions

- Single \$6,350
- Married Jointly \$12,700
- Head of Household \$9,350
- Married Filing Separately \$6,350

Personal Exemption \$4,050 each

Gift Tax Exclusion \$14,000

401(k) Contribution

\$18,000; age 50 and older catch-up - additional \$6,000

Standard Mileage Rates

- Business 53.5¢ per mile
- Medical or Moving 17¢ per mile
- Charitable 14¢ per mile

Health Savings Accounts (H.S.A.)

- Contribution limit \$3,400 (individual)
- Contribution limit \$6,750 (family)
- Additional \$1,000 if age 55 or older

IRA (traditional & Roth) maximum contribution \$5,500; age 50 and older catch-up \$1,000

New York State unemployment insurance (SUI) wage base \$10,900

Social Security Wage Base \$127,200

New Due Date:

- C Corporations (Form 1120) due April 15th
- Partnerships (Form 1065) due March 15th

FBAR now due April 15th, 6 month extension allowed

The IRS's Private Collection Agencies

By Patti L. Damwin, CPA, Supervising Senior Accountant

Under the *Fixing America's Surface Transportation (FAST) Act* enacted last December, the IRS is now required to enter into tax collection contracts with third parties for the collection of certain outstanding tax balances owed to the IRS. The IRS will use four (4) private collection agencies, which are: Conserve, Pioneer, Performant and CBE Group. The outstanding tax balances that can be pursued by these private collection agencies are:

1. Any amount that has been removed from the IRS's active inventory due to a lack of resources or an inability to find the taxpayer,
2. Any amount for which more than one-third of the applicable limitation period has passed and no IRS employee has been assigned to collect the receivable, or
3. Any amount that has been assigned for collection, but more than 365 days have passed without interaction with the taxpayer for purposes of furthering collection of the receivable.

This program will take effect shortly in the spring of 2017. This is alarming since it comes at a time where phone scams are at their highest and when the IRS has repeatedly expressed "we do not call taxpayers." To protect yourself, it is crucial to be aware of the following:

- The IRS does not initiate contact with taxpayers by email, text or via social media.
- The IRS does not threaten taxpayers with lawsuits, imprisonment or other enforcement action.
- The IRS will notify taxpayers in writing that their account has been assigned to one of the approved private collection agencies.
- The private collection agency will then send a letter confirming they are assigned the taxpayer's account and will identify themselves as a contractor of the IRS.
- The private collection agency will not ask for payment by phone or email. Taxpayers will be informed about electronic payment options at IRS.gov/Pay. Any payment by check should be made payable to the U.S. Treasury and sent directly to the IRS.

Safeguarding Your Accounts

By Mary L. Shetler, CPA, CFE Senior Manager

In light of recent fraudulent activity reported in the news, it's a good time to review your internal policies and procedures regarding your bank accounts. Many small businesses have a few trusted employees that are relied upon to help with various business activities, and there is often a lack of segregation of duties. This can leave a business vulnerable for fraudulent activities. Two areas that are especially susceptible to this are your bank account and credit cards. Below are a few steps that can be taken to safeguard these accounts:

Bank accounts

- Review monthly bank statements. Since all bank activity is now online, it can be reviewed in real time. This is the single most important thing to do to determine unauthorized activity. Most cashed checks are online for you to review, so make a habit of checking them each month.
- Either perform or review all monthly bank reconciliations on a timely basis.
- When signing a check, request the documentation that backs up anything you are unsure about.

Credit cards

- Limit the number of employees that have company credit cards. Make sure there is a need for that employee to have a company credit card.
- Only issue fleet cards, which will limit the type of items that can be charged, whether it is for gas, repairs and maintenance, or for business meals.
- Put a cap on the credit limit. Only request the amount that is needed.
- Have a written company policy for use of the credit cards.
- Require original receipts be submitted by employees for each purchase.
- Reconcile the statements monthly against the receipts in a timely manner.
- Review your company's credit report to determine that there are no unauthorized credit cards in the company's name.

It is important that you take time to perform the steps outlined above. If time is an issue and you need assistance with reviewing your bank and credit card accounts for potential fraudulent activity, please contact Tronconi Segarra & Associates.

ARE BANK FEEDS A VIABLE SOLUTION FOR YOU?

By Karen Schott, General Ledger Specialist

Have you ever considered using the bank feed feature? The option to download bank feeds is now offered by many financial institutions. Downloading bank feeds allows you to automatically pull your bank account transactions into your accounting software as frequently as you choose. Most software is able to recognize a particular bank transaction based on the description and this enables you to setup rules for each transaction so that repeat transactions are recognized and categorized into the proper account automatically. Although, in many cases it can save business owners the amount of time it would take them to manually enter the transactions and enable businesses to reconcile their financial statements with their bank account figures in real time, it may not be the best solution for you. This feature may sometimes pose issues depending on how you use this function and how it interacts with your particular accounting software.

The following questions are presented to assist you in deciding if bank feeds are worth exploring as a time savings strategy for your business:

- How hard is it to initiate a connection to your bank account and will your bank allow direct connection?
- Is there an additional fee charged by your bank?
- Is the feature easy to use or the interface easy to work with to download your transaction data?
- How much of the task of reconciling your bank account with your accounting software can be dealt with automatically so you don't have to work through all the details?



IN THE SPOTLIGHT this quarter is Patti Danwin, CPA, Supervising Senior Accountant. She joined the Firm in 2014 to serve our

small business clients. Patti is a 1994 graduate of Canisius College and enjoys traveling with her husband and two daughters.