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OTOOLE

...where people count

4th Quarter 2015

1099 101: HOW TO AVOID INCREASED PENALTIES FROM THE IRS

We've addressed IRS Form 1099 in the past; alerting you to potential penalties if the form isn't filed on time. BUT — this time we need to do a deeper dive on the importance of filing them in the RIGHT WAY at the RIGHT TIME.

Why is Form 1099 such a big deal?

If you run any type of business and your company hires independent contractors, you MUST take 1099s seriously to avoid stiff penalties.

We know that some of our clients have felt that it's optional to file a Form 1099 to report vendor payments. They've either filed them late or not at all.

This is NOT an option if you want to avoid expensive penalties or avoid coming under the scrutiny of the IRS. The IRS has significantly increased the penalties for each Form 1099 that's NOT filed or that's incorrectly filed.

The longer you wait to file the bigger the penalty.

- If you file within 30 days of the due date, February 28th, the penalty is \$50* per 1099.
- If you file after the due date but before August 1 the penalty is \$100* per 1099.
- After August 1 it is \$250* per 1099.

That may not sound too bad, but remember it's per 1099 to each individual, not all of them combined for one year. If you have ten people to whom you were supposed to issue a 1099 and wait until September the penalty could be \$2,500. That's just filing for the IRS! They have a similar penalty if you send it to the recipient after January 31.

Want to skip that pain? We assume you do. Here are some guidelines to make sure you're in compliance for tax year 2015.

*The current IRS 1099 instructions do not reflect the correct penalty amounts.

continued on page 2

renews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

Happy Holidays

We're Thankful
for Your Business.



The staff here at Honeck O'Toole wishes to thank you for choosing us for your tax and financial planning needs. We sincerely appreciate your business and your kind referrals... and we look forward to serving you in the new year.



We wish you and yours a very happy Thanksgiving, a joyous Holiday Season and a New Year filled with exciting plans and prosperity!

Your Honeck O'Toole Team



Call Now for a Year-End Projection and Last-Minute Advice

In just a few weeks, we'll all be closing the books on 2015. If you've gone through some changes in your business or personal life in 2015, you may not be sure where you stand regarding your income and taxes. Plus this year, we've had some tax law changes that may affect you.

Contact us as quickly as possible if you'd like our help in getting a clear picture of your projected total 2015 income and deductions, or to map out a smart plan to close out the year.

207-774-0882 or info@honeckotoole.com.

Requirements to file Form 1099:

According to the IRS, you need to submit a Form 1099 if your small business or self-employed individual company made payments this year for:

- Services performed by independent contractors or others (not employees of your business) (\$600 or more)
- Prizes, awards and certain other payments
- Rent
- Royalties
- Backup withholding or federal income tax withheld
- Crewmembers of your fishing boat
- Physicians, physicians' corporation or other supplier of health and medical services
- A purchase of fish from anyone engaged in the trade or business of catching fish
- Substitute dividends or tax exempt interest payments and you are a broker
- Crop insurance proceeds
- Gross proceeds of \$600 or more paid to an attorney
- Interest on a business debt to someone (excluding interest on an obligation issued by an individual)
- Dividends or other distributions to a company shareholder
- Distribution from a retirement or profit plan or from an IRA or insurance contract
- Payments to merchants or other entities in settlement of reportable payment transactions, that is, any payment card or third party network transaction

How to prepare Form 1099:

- You'll need to collect an IRS Form W-9 from each independent contractor/vendor who fits the above criteria. A good policy is to get it before you pay the contractor... but if you didn't get one,

request it now so you have the info for year-end. Form W-9 is available online, and can be downloaded and used at: <http://www.irs.gov/pub/irs-pdf/fw9.pdf>

- On the W-9, you'll find the contractor's TIN (Taxpayer Identification Number), which may be a Social Security Number if he or she is a sole proprietor.
- Get your hands on the printed version of Form 1099 from the IRS. You must use the official printed version because it's scannable (the online/download version is not). You may face a penalty if you file forms that can't be scanned.
- Complete a Form 1099 for each person, putting in the Recipient's Identification Number (from Form W-9).

2015 Instructions for Form 1099-MISC

Miscellaneous Income

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments in the law that may affect the Form 1099-MISC and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1099misc.

What's New

Corrections to Form 1099-MISC. A new part has been added to these instructions regarding corrections to Form MISC.

When you should file Form 1099:

To avoid a penalty, be sure to mail in the Form(s) no later than February 28, 2016.

Where to get more details:

You'll find detailed instructions online as an IRS PDF document. The link is: <http://www.irs.gov/pub/irs-pdf/i1099misc.pdf>

If you need additional help, don't hesitate to contact us! The sooner, the better.

Phone: 207-774-0882 Email: info@honeckotoole.com

IMPORTANT UPDATES THAT MAY AFFECT YOUR 2015 TAX RETURN

Taxes are constantly changing, and there are too many to list here. But we wanted to mention a few that might affect many of our clients. As we start winding down the year, it will be important to make sure you're not caught with an unpleasant surprise on December 31, 2015. Let us know if you need help in understanding these changes and what you can do to avoid penalties or unexpected taxes.

The penalty has gone up if you don't have health insurance.

According to HealthCare.gov, "If you don't have coverage in 2015, you'll pay the **higher** of these two amounts:

- **2% of your yearly household income.** Only the amount of income above the tax-filing threshold, about \$10,150 for an individual, is used to calculate the penalty. (The maximum penalty is the national average premium for a Bronze plan.)
- **\$325 per person for the year (\$162.50 per child under 18).** The maximum penalty per family using this method is

\$975. (Again the maximum penalty is capped at the national average premium for a Bronze plan.)"

Yikes. This is significantly more than the 2014 penalties, which was the higher of 1% of your yearly household income or just \$95 per person for the year (\$47.50 per child under 18)... and the maximum penalty per family was \$285. It goes up even more in 2016 to the greater of 2.5% of household income or \$695 per person (\$347.50 per child under 18.)

If you purchased insurance through the HealthCare Marketplace, keep an eye out for Form 1095-A. We'll need it for tax purposes as it is used to calculate the credit.

The IRS recently announced that it's making progress to protect taxpayers from identity theft.

In the late winter/early spring of 2015, tax filers were horrified to learn that their social security numbers were used to file fraudulent tax returns... and they were victims of identity theft. The IRS, state departments of revenue and the financial industry have been working together to solve this issue, and they're making progress.

On October 20, the IRS issued a press release stating, "The

WATCH FOR YOUR PURPLE PRE-BILL AND TAX ORGANIZER

By now you've probably seen your 2015 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill") so you can choose to pay part of next spring's tax return preparation fee before 12/31/15 and take the deduction in this tax year (if you qualify). **Please note that this payment is OPTIONAL, it's not required.**

In early January, you can expect to receive our annual **Tax Organizer**. This "fill-in-the-blanks" packet helps you gather all your financial information for us so nothing is missed! 📁



IS YOUR QUICKBOOKS™ ACCOUNT READY FOR TAX SEASON?

Several times a year, our small-business clients ask if we can take a look at their QuickBooks files and help make sure transactions are being captured and categorized properly. This includes taxable and non-taxable items, business expenses and other items. It's easy to get behind if even one entry is off.



QuickBooks®

If you need help with QuickBooks, we'd be happy to take a look. The sooner, the better, before you're preparing your year-end reports.

Contact us now to schedule an appointment:
207-774-0882 or email
info@honeckotoole.com 📧

IMPORTANT NEWS IF YOUR CHILD IS OVER 18

If you have a child who is about to turn 18 or who has already passed that milestone, the law has just changed for him or her... and for you.

In short, you no longer have the authority to act or assist on your adult child's behalf if there's a legal, financial or medical situation.

We recommend that you prepare the following documents for your child and your family.

- Durable or temporary power of attorney to make payments or sign paperwork on the child's behalf if needed
- HIPPA release form, so doctors and others can provide medical information about your child and discuss it with you
- A health care proxy, which allows a parent to act on the child's behalf in an emergency
- A financial will and a living will, which both stipulate exactly what the child wants



Contact us if you need assistance with any of these documents, so you can protect your loved one!

QUESTIONS?

207-774-0882

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public-private sector partnership announced success in identifying and testing more than 20 new data elements on tax return submissions that will be shared with the IRS and the states to help detect and prevent identity-theft related filings. In addition, the software industry is putting in place enhanced identity requirements and validation procedures for their customers to protect accounts from identity thieves." We'll be watching this closely for you as tax season approaches.

One way the IRS is attempting to limit identity theft is by issuing an IPIN. If you receive one from the IRS (usually sent in December), **please send it to us as you cannot file your return without it.** Currently the IRS issues them to those who have had an identity theft issue in the past, as well as limited states with high identity theft rates (Florida, as well as Georgia and D.C., to name a few). If you live in those states, the IRS may issue you an IPIN even if you haven't had an identity theft issue.

If you have questions about any of these updates, please contact us right away to make sure you're following the rules and getting the benefits coming to you.

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DISCLAIMER

Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.



OUR NEW ACCOUNTING ASSOCIATES

Joseph C. Mendell

Joseph joined us in September, 2015. He will be preparing federal, state and local tax returns for individuals, partnerships and corporations. His other duties include consulting with clients regarding new tax information that can affect them, tax planning, assisting clients with their bookkeeping needs, and helping out in any capacity around the office. Joe is extremely excited to be working with us.



Prior to joining our staff, Joe worked at Hobson and Company, CPA where he was a tax assistant to Adam Hobson, his mentor. He graduated in 2014 from the University of Southern Maine with a B.S. in Business Administration with a focus in Accounting. While at USM, he volunteered with AARP in assisting the local community, preparing individual tax returns. Currently, Joe is preparing for the CPA examination. He is also a United States Air Force Veteran.

When Joe is not in the office, he is spending time either on the golf course or with his wife and young son, Louis. 🏌️⛳️

David A. McLaughlin

David grew up as a military dependent and came to Maine in 1978. He managed several retail stores before deciding to return to college for accounting. David received both his Associate's and Bachelor's Degrees in Accounting from the University of Maine with honors. While working full time, raising his family and going to college, David worked for his father's tax firm in Lewiston for 12 years.



Prior to joining Honeck O'Toole, David was a tax accountant for Clark, Friel & Joyce PA in Portland for 10 years. David brings to Honeck O'Toole his knowledge in tax return and financial statement preparation, bookkeeping, payroll processing and managerial processes.

In his spare time, David enjoys his family and friends, stamp collecting, martial arts and traveling. David is active in his church where he volunteers teaching people basic budgeting in the fall and assists with preparing meals at the soup kitchen in the summer. He lives in Gray with his wife Terry. 🏠

2015 YEAR-END PLANNING AND 1099'S: Make Sure You Avoid Surprises!

If your situation changed in any way in 2015, your taxes may change. We encourage you to contact us right away for assistance before year-end.

207-774-0882 or info@honeckotoole.com. 📞



Call for Assistance Anytime!
We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.



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