



HONECK · O'TOOLE

...where people count

# renews

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

4th Quarter 2019

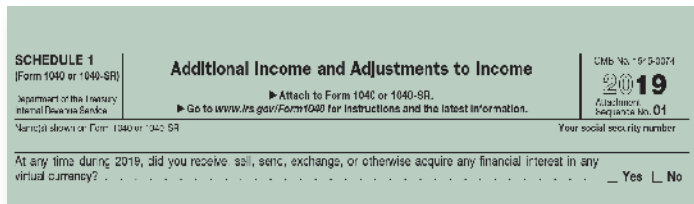
## BE PREPARED FOR THE VIRTUAL CURRENCY QUESTION

With virtual currency, it's the new wild west for investing, but the sheriff is coming to town.

We attended a seminar in October to review current changes and learned that the IRS is ramping up its virtual currency reporting compliance. New guidance from the IRS is designed to "help taxpayers understand their tax obligations and follow the rules."

### For tax year 2019, you'll see a new question on your IRS Form 1040 Schedule 1 that everyone must answer.

New for tax year 2019: You'll see a checkbox on Schedule 1, "Additional Income and Adjustments to Income." It will say, "At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?"



To make sure you're not caught off guard by this new question... we want to make sure you're properly tracking any virtual currency activity. Here, we'll explain what it means so you can be compliant.

### First, what is virtual currency? The IRS defines it as this:

"Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value."

"In some environments, it operates like 'real' currency (i.e., the coin and paper money of the United States or of any other country that is designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange in the country of issuance), but it does not have legal tender status in the U.S."

continued on page 2

Thank You  
for Your Business



As the holiday season approaches, the team here at Honeck O'Toole wishes to thank you for your business and your kind referrals... and we look forward to serving you in 2020 and beyond. If you know of anyone who may need assistance with their taxes and other financial matters, please let them know we can help.

May you and yours have 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

Not 100% sure where you stand for tax year 2019? We want to help you be fully prepared. This is the best time to consider how 2019 tax changes may affect you, especially if you've had changes in your business or personal life this year.

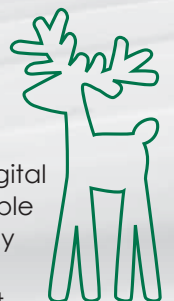
Contact us as quickly as possible if you'd like our help in looking at your 2019 tax-year picture.

207-774-0882 or info@honeckotoole.com



## Annual Tax Organizer: Paper or Online?

In early January, you can expect to receive our annual Tax Organizer. A digital "fill-in-the-blanks" E-Organizer is available for individual tax returns only and is only available on Windows based PCs. If you prefer to use the E-Organizer, just call or email us after January 1, 2020: 207-774-0882 or info@honeckotoole.com.



However, there ARE tax consequences when you sell or exchange convertible virtual currency — or use it to pay for goods and/or services in a “real-world economy transaction.”

*Apologies to clients who aren't familiar with virtual currency or cryptocurrency! We covered some of the basics in our 3rd Quarter 2017 issue of ReveNEWS, which you can find here: <https://www.honeckotoole.com/newsletters/> These definitions from the IRS may also help:*

- **“Cryptocurrency** is a type of virtual currency that utilizes cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain, DAG, or Tempo.” Cryptocurrency units are referred to as “coins” or “tokens.”
- **“Convertible virtual currency** has an equivalent value in real currency or acts as a substitute for real currency. Bitcoin, Ether, Robux, and V-bucks are a few examples of a convertible virtual currency. Virtual currencies can be digitally traded between users and can be purchased for, or exchanged into, U.S. dollars, Euros, and other real or virtual currencies.”

### Facts about virtual currency and tax implications

- For federal tax purposes, virtual currency is treated as property, and tax principles that apply to property transactions also apply to transactions using virtual currency.
- If you receive virtual currency as payment for goods or services, you must include the fair market value of the virtual currency **in U.S. dollars as of the date it was received** when computing your gross income.
- You have a taxable gain if the fair market value of property received in exchange for virtual currency exceeds your adjusted basis of the virtual currency.

- When you successfully “mine” virtual currency, you're required to include it in your gross income: the fair market value of the virtual currency as of the date you received it.
- A payment made to you using virtual currency is subject to reporting (the same way any other payment or property would be).
- The IRS recently explained the tax implications of “hard forks” and “airdrops:” A hard fork is similar to a stock split but is a new release of upgraded code (they are digital coins after all.) Hard forks of a cryptocurrency don't result in gross income if the taxpayer receives no units of a new cryptocurrency. You don't end up with more than you had before. BUT... taxpayers receiving units through an airdrop DO have to report it as gross income. An airdrop is an event where someone moves digital currency into your account. You end up with more than you had before. Every transaction is different though, so call if you have questions.
- For additional information you may want to review the IRS's frequently asked question page: <https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>

**If you have any questions about reporting virtual currency on your tax return, contact us immediately: 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com)** 📞



## GET READY FOR THE NEW 2020 W-4



Employers and employees, take note! Big changes are ahead for the IRS W-4 withholding form used for payroll taxes. In Peter's words, “In spite of the news that it's supposed to make accurate withholding easier... the new 2020 form is bound to be confusing because it is so different.”

Scheduled for release this month, the new form is approaching the withholding formula in an entirely different way than before. Here are a few of the main changes:

- **Withholding allowances are gone.** As a result of changes enacted in the Tax Cuts and Jobs Act (TCJA), in late-December 2017, personal exemptions are no longer part of the W-4 form.
- **5 new steps to complete.** Employees need to complete (or skip if not applicable): (1) personal information, (2) account for multiple jobs, (3) claim dependents, (4) other adjustments (optional), and (5) signature and date. (Only Steps 1 and 5 are required.)
- **All new employees must use the new form in 2020.** For employees hired before 2020, employers can continue using the W-4 already completed. Though, it's not a bad idea to review your withholding every year and make needed changes.

Questions? Visit this IRS FAQ link: <https://www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4> Or, **contact us at 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com)** 📞



## DON'T FALL FOR PROPERTY LIEN SCAMS

These days, scammers are everywhere, and the latest big scam involves a fake property lien or levy.

If you own real estate (home or business), you may know that a lien can legitimately be placed on your property's title if you owe a contractor or other party money for any reason – an unpaid bill, for instance. If you neglect to pay the bill and clear your title, it would be extremely difficult to close on the sale of your home.

In the property lien scam, you may receive a fictional government agency letter threatening a lien... saying that you owe overdue taxes. The letter may look legitimate because it's from "Bureau of Tax Enforcement" or something along those lines and may even refer to the IRS.

If you get a letter, email or phone call like this you can and should report it in four ways:

- Report it on the IRS Impersonation Scam Reporting Page (you'll need to log in to your own IRS account). Report it using the phrase "IRS Lien."
- Scan the letter and send it to [phishing@irs.gov](mailto:phishing@irs.gov)
- Report it to the Federal Trade Commission using the FTC Complaint Assistant on [FTC.gov](http://FTC.gov)
- Report it to the FBI's Internet Crime Complaint Center as an IC3.

If you do owe money and wish to clear your title, visit [IRS.gov](http://IRS.gov) or call the IRS at 800-829-1040 to review your tax account information. Or, contact us if you're not sure. **NEVER respond to letters without checking to see if it's a scam!** 🚨

## Watch for Your Purple Pre-Bill

In early November we sent your 2019 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill"). You can choose to pay part of next spring's tax return preparation fee before 12/31/19 and take the deduction in this tax year (if you qualify). Please note that this payment is always **OPTIONAL**, not required.

**Phone: 207-774-0882 Email: [info@honeckotoole.com](mailto:info@honeckotoole.com)**

## IGNORE 1099 FILING REQUIREMENTS AT YOUR PERIL

**IMPORTANT REMINDER:** If your business made payments of more than \$600 to individuals or businesses in any of the following categories in 2019, you're required to file IRS Form 1099 for each recipient:

- Services by independent contractors or others (not employees of your business)
- Prizes and awards and certain other payments
- Rent
- Crewmembers of your fishing boat
- Physicians, physicians' corporations or other suppliers of health and medical services
- 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

## PENALTY

### Big penalties if you don't file

The deadline to file in 2020 is February 28, 2020. If you fail to file by the deadline or don't file at all, you'll have to pay the following IRS penalties:

- \$550 per recipient (wow) if you don't file at all
- \$270 per recipient if you file after August 1, 2020
- \$100 per recipient if you file after 30 days from February 28, but before August 1
- \$50 per recipient if you file within 30 days of February 28, 2020

There are maximum ceilings on what you'd have to pay for penalties IF you do file in 2020. AND, there are exceptions to these requirements. The best thing to do is check with us so we can advise you based on your specific situation. 🚨

**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.



## ANDY CHASSE

### Hansoo Taekwondo Academy, and The Artworks, LLC

Andy Chasse owns two thriving businesses: Hansoo Taekwondo Academy in Glastonbury, CT ([www.hansootkd.com](http://www.hansootkd.com)), and The Artworks, LLC (new site under construction.) We caught up with him to see why this CT native, but whose parents are from Northern Maine, is devoted to two businesses at once. He told us, *"I've been running the martial arts school for 21 years and it's very dear to me. We work with children and adults six days a week helping them develop strength, confidence and personal discipline. For twelve years, we have offered a specialized TKD for Autism Spectrum Disorders... empowering children on the Autism spectrum with incredible results."* Andy is the school's Head Instructor and is a 5th dan Black Belt who's been training for over 32 years.

He said that his other business is a labor of love, as well: *"For 30 years, I've been creating custom signs — including creative hand-carved, gold leaf signs that most sign shops don't produce. I'm continuing with the sign business, but I'm also shifting to digital photographic prints which people can order from a library of my own nature photography. It's all my work and it's been going well on a private level, but will soon be introduced for online ordering."* By the way, our own Joyce Broadwater is very proud of Andy; she's his cousin! You can reach Andy at [aachasse@comcast.net](mailto:aachasse@comcast.net).



Andy Chasse artwork

## LYNDA ADA DOUGHTY

### Marine Mammals of Maine (MMoME)

Here's a unique gift idea for an animal lover in your life... or someone who "has everything." Symbolically adopt a seal, whale, dolphin, or sea turtle in that person's name. You'll be supporting MMoME, the ONLY organization federally authorized to carry out the work of marine mammal and sea turtle response, rescue, care, research, and education in southern and midcoast Maine.

MMoME was founded in 2011 by Executive Director Lynda Ada Doughty, who explained how they became federally authorized. She said, *"We submitted an application to the National Marine Fisheries Service to be permitted to respond to marine mammals in Maine from Kittery to Rockland. Since they uphold the Marine Mammal Protection Act (MMPA), authorization comes through them. We needed to show we have the expertise, training, supplies, and equipment to respond to these animals."*

Lynda told us that things have been going great for the organization: *"I am happy our organization is here to provide support and care for animals in need. Currently there is not enough rehab capacity in the northeast to help all the marine mammals that need care, but we keep working towards that goal. As we keep growing, we always need support to maintain our capabilities."* Lynda encourages everyone to learn more about marine mammals, and to call if you feel concerned about an animal that may seem "stranded." They can send trained responders if needed. Learn more about supporting this wonderful organization at [mmome.org](http://mmome.org).



Lynda Ada Doughty



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.

[www.honecktoole.com](http://www.honecktoole.com)



511 Congress Street, Suite 900, Portland, Maine 04101  
Mall: PO Box 7980 DTS, Portland, ME 04112  
Email: [info@honecktoole.com](mailto:info@honecktoole.com)  
Phone: 207-774-0882 Fax: 207-773-2047

