



HONECK ·  
O'TOOLE

...where people count

renews

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

3rd Quarter 2023

## CONTRACTOR VS. EMPLOYEE — WHAT YOU NEED TO KNOW NOW

The IRS and certain U.S. states have very clear guidelines on the difference between employees (reported for tax purposes via a W-2 tax form) and contractors (reported via a 1099 tax form). It's important to know the differences between these two worker types, both as an employer and as a worker providing services or duties.

Why? Because the wrong classification — or filing the wrong form — can get you into trouble with potential fines.

**The main difference is in HOW, WHEN, and WHERE the worker conducts his or her duties... and gets paid.**

The chart on page 2 simplifies the distinction between the two as far as the IRS determination is concerned.

For instance, take item #2. A contractor (1099 worker) is free to decide their own schedule and work location.

A freelance writer or designer may choose to work odd hours, from their home or wherever they choose, if they deliver their work by an agreed deadline, and so forth.

In contrast, a W2 employee must be available during the employer's "business hours," typically 9-5, Monday through Friday. They may be working remotely or at the business office... but they must attend staff meetings and be available for staff questions throughout the day.

As you work through all ten listed items here, it should be overwhelmingly clear whether a 1099 or W2 is appropriate for your situation.

Maine has its own classifications, but they closely follow the IRS. It's all spelled out in a helpful brochure (PDF) you can download here: [bit.ly/3P2yOk8](https://bit.ly/3P2yOk8). If you're not quite sure about your business and who's working for you, please contact us for guidance.

**If the worker is a 1099 contractor, WHEN must Form 1099 be filed?**

If you're a business — even a one-person company relying on contractors for parts of your business — you're required to file Form 1099 for each payee (business or individual) that you pay more than **\$600 in a calendar**

## 2023 TAXES: WHERE DO YOU STAND?

If you made significant changes in your life this year (bought property, sold property, got a job, lost a job, changed jobs, had a child, changed your marital status, moved, started a business, sold stock, retired, or any other life changes) or you plan to — we can help you look at how this may affect your financial picture and your 2023 taxes.

**The sooner you find out, the better, yes?**

Then you can plan for the rest of 2023 and perhaps make beneficial changes.

Contact us for an appointment:

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

**Your Honeck O'Toole Team** 🗺️

## DUE DATE REMINDERS: EXTENDED TAX FILING

### October 1:

Extended due date for calendar year Trusts and calendar year Estates

### October 16:

Extended due date for Individual Tax Returns & calendar year C Corporations

**Got a letter from the IRS? Don't panic!** We can help if you're not sure what to do next.

Contact us for assistance: **207-774-0882** or [info@honeckotoole.com](mailto:info@honeckotoole.com) 🗺️



*continued on page 2*

## CONTRACTOR VS. EMPLOYEE, cont.

year for services, certain goods, and rent, even the rent you paid from your business to a property you also own. There are exceptions for sending a Form 1099 to corporations and certain LLCs, so be sure to reach out if you paid one of these types of entities.

**NOTE:** Generally, you must issue a Form 1099 if you paid more than \$600 by cash or check. **If you paid with a credit card, you do not need to issue a Form 1099** as that is issued by the credit card settlement company on a Form 1099K.

### IMPORTANT: Don't miss the 1099 deadline!

You're required to send each payee a copy of Form 1099 (for 2023 work) by January 31, 2024, and file a copy with the IRS by February 28th if filing by paper; March 31st if filing electronically.

**If you miss the deadline, you'll have to pay a penalty per form/payee.** (So, if you had 10 payees you didn't send Form 1099 to, the penalties below would be multiplied by 10!) The penalty increases the longer you wait. For tax year 2023, the penalties are:

- \$50 up to 30 days late
- \$110 for 31 days up to August 1
- \$290 After August 1 or not filed, and
- \$580 for intentional disregard of filing.

Please contact us at **207-774-0882** or **info@honeckotoole.com** if you'd like to discuss these important forms and guidelines for your business. 📞

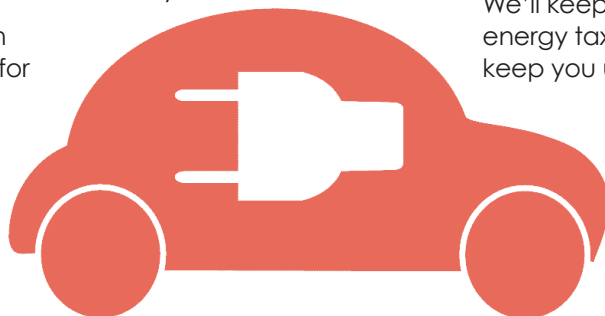
	1099	VS	W2
1	Contracted for a specific project or time period.		Works on ongoing basis and may be terminated at will.
2	Decides when and where to work.		Has required work schedule and location.
3	Determines how to work: process, tools used.		Is told how to perform work, in what order, particular tools, etc.
4	Does not need or receive skills training.		May be trained and instructed.
5	Does not attend meetings or give regular reports.		May attend frequent meetings and give regular reports.
6	Performs work requiring specialized skills that are not the client's primary service.		May perform work that is the company's primary service.
7	Negotiates and sets own rates, including fixed prices.		Paid hourly wage or salary governed by minimum wage + overtime laws.
8	Provides own tools and equipment, responsible for own expenses and loss risks.		Reimbursed for all expenses needed for work.
9	Markets services to prospects, works with multiple clients.		May work full time and exclusively.
10	May delegate tasks to others.		Must personally perform the work.

## CERTAIN ENERGY TAX CREDITS MAY BE CUT

Watching recent federal tax discussions, we noted that various energy credits from the Inflation Reduction Act may be cut. Why? They were way more costly than originally thought. One cut on the list is vehicle credits, including the electric vehicle (EV) car credit.

This is the current IRS EV credit for cars bought in 2023: "You may qualify for a nonrefundable credit

up to \$7,500 if you buy a new, qualified plug-in EV or fuel cell electric vehicle (FCV)." If you buy a used EV or FCV from a licensed dealer you may be eligible for a nonrefundable credit up to \$4,000. (The credit for a used EV/FVC is the one we've seen highly discussed for cutting in the future.)



Similar credits are still available for EVs bought in 2022 or before, but again, this may change. If you're planning to consider this tax credit for 2023, please check the IRS requirements here: [bit.ly/3sdvFoE](https://bit.ly/3sdvFoE). We can also help you explore this for tax year 2023.

We'll keep an eye on energy tax cuts and keep you updated. 📞

### DISCLAIMER

Any accounting, business, or tax advice contained in this communication is 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.



## WARNING! IRS BUSINESS SCAM ALERT

In late July, the IRS issued a warning for businesses to be on the lookout for tax scams, "as identity thieves continue pounding out a barrage of email and text messages promising tax refunds or offers to help 'fix' tax problems."

Many of these scams focus on Employee Retention Credits (ERCs). For instance, "emails urging people to 'Claim your tax refund online,' and text messages that the person's tax return was 'banned' by the IRS." According to the IRS, "These scams are riddled with spelling errors and awkward phrasing, but they consistently try to entice people to click on a link."\*

### DON'T BE FOOLED!

Suspicious ERC emails may look legitimate, but often come from a Gmail account (NOT legitimate IRS correspondence). Here are two typical ERC scam emails one of our clients received from two different Gmail accounts:

*Hello Pam, It's West from Bottom Line.*

*I came across your profile on LinkedIn. It looks like you're eligible for the ERC. May I ask if you've already taken advantage of that?*

*The requirements have changed almost completely. Even if your revenue has increased during Covid, or you've received PPP, you may still be eligible.*

*I'd love to connect with you next Monday to discuss ERC in more detail and provide an estimate of the potential refund amount.*

*What would be the best time between 10:00-2:00 pm EST?*

*Best regards, West Chapell - ERC Liaison.*

*Bottom Line Concepts, LLC.*

And the follow-up:

*Hello Pam, It's Exton with Bottom Line.*

*I'm following up on my last email regarding the ERC. I'm being persistent because I'm confident you qualify.*

*If eligible, this money is yours to keep, and you should claim it. You can potentially receive up to \$26k per W2 before it comes to an end.*

*Pam, if a 10-minute call is worth 6 or 7 figures+ back to you, I'd be happy to connect.*

*What would be a good time for you for a quick call? Tomorrow at 11:00 am or 4:00 pm EST?*

*Exton Hand- ERC Liaison.*

*Bottom Line Concepts, LLC.*

Sadly, too many people get scammed this way. Also in late July, the IRS announced that it's, "putting in place additional procedures

to deal with fraud in the program" as well as increasing audit and criminal investigations. The IRS also reminded anyone who improperly claimed the credit that they must pay it back along with penalties and interest.

Please be cautious before opening or responding to emails like these! If you receive one, let us know and we'll check on its legitimacy for you. 🚨

\*Two IRS sources:

<https://www.irs.gov/newsroom/taxpayers-see-wave-of-summer-email-text-scams-irs-urges-extra-caution-with-flood-of-schemes-involving-economic-impact-payments-employee-retention-credits-tax-refunds>

And <https://www.irs.gov/newsroom/irs-commissioner-signals-new-phase-of-employee-retention-credit-work-with-backlog-eliminated-additional-procedures-will-be-put-in-place-to-deal-with-growing-fraud-risk>

## GETTING ALL YOUR BENEFITS?

What do brand loyalty programs, shopping clubs, streaming TV networks, gym memberships, phone plans, and other ongoing memberships have in common? They all generate big bucks for the providers with steady, paying members ... and they offer numerous benefits that often go unused. Statista reported that in 2022, **U.S. consumers belonged to 16.6 loyalty programs on average but actively used a little less than half of them.**\*\*

Wow, what a waste! How many memberships do you pay for? Perhaps it's time to evaluate all your memberships and see what you may be missing or wasting. Here's how, in three simple steps.

**1. Make a list of every membership, subscription, and other account you pay for.** If you're like most Americans, you may belong to 16+ loyalty programs, and that doesn't even include service accounts such as cell phone, insurance, cloud storage, etc. Include everything you pay for on a monthly or annual basis, such as AAA, AARP, Sam's Club, Amazon, phone service, home insurance, local gym membership, streaming TV subscriptions, shopper-loyalty programs such as Books-A-Million, online services such as Dropbox.com, Zoom.com... EVERYTHING.

**2. Determine how or if you've used each membership in the last 6 months.** You may be among the Americans using just half of your paid memberships. For instance, you haven't used one of your monthly streaming TV channel subscriptions in months. Or you signed up for a "free trial" and forgot to cancel before monthly billing kicked in. It's time to cut the cord on these unused memberships and rack up the savings. (We found a Business Insider article where one consumer said, "I Saved \$468 a Month by Cutting My Subscriptions.")

**3. Visit your membership websites to find benefits you're NOT using.** For the memberships that you DO use, take a close look at everything they offer you. You may discover several cost savings and other benefits. For instance, your home insurance provider may offer big discounts if you combine auto insurance or other needs (maybe even roof repair discounts). Over 50? Verizon phone plans include a cost-savings 50+ plan. Challenge yourself to spot all the benefits you could be using from your active accounts and enjoy newfound savings! 🚨

\*\*<https://www.statista.com/statistics/618744/average-number-of-loyalty-programs-us-consumers-belong-to/#:~:text=Average%20memberships%20in%20loyalty%20programs%20in%20the%20U.S.%202015%2D2022&text=In%20a%20survey%20conducted%20among,less%20than%20half%20of%20those>





**SUPPORT A CHILD'S FUTURE WITH A 529 PLAN CONTRIBUTION**

If you're looking for ways to help a child's future — consider setting up and funding a tax-free 529 College Savings Plan. Then you can build a sizeable account, available when the child is ready for college.

Maine's NextGen 529 makes the process easy and beneficial for Maine residents. It offers two funding options, several special grants, AND (new for 2023) contributions up to \$1,000 per student may be eligible for a Maine state income tax deduction.

If you're intrigued, visit [NextGenForMe.com](https://NextGenForMe.com) for complete details about its many benefits and how it all works.

Judy Colby-George

**VIEWSHED LANDSCAPE ARCHITECTURE | GIS | PLANNING**

Judy Colby-George leads an extraordinary Maine group that merges landscape architecture, planning, GIS (Geographic Information Systems), visual assessment, and community engagement. Their clients come from large utilities working on wind, solar, or transmission line projects; local governments looking for planning and design services; and individuals and developers wishing to improve existing projects or create a new development. For instance, VIEWSHED can look at a town and analyze how many new lots could be created given current and new zoning. Or VIEWSHED can build a photosimulation showing what a new project will look like from across the street.

Judy's journey has had interesting timing. She said, "I started my business (*Spatial Alternatives*) on Sept. 11, 2001. I purchased a landscape architecture firm (*Terrence J Dewan & Assoc*) In 2019. If you ever want to know when a large catastrophe is about to happen, find out when I'm doing a big, financially risky thing!" The risks have paid off. Today, Judy has "the best employees and clients, and business is great."

She wants you to know, "We work hard to help clients tell the story of their own data and place in a visual way ... and guide it into the future." She also noted, "I don't know what I'd do without Joyce and her Honeck O'Toole team helping me with accounting. They make my tax prep easy, and I'm all for paying smart people to do the things that aren't my area of expertise!" Learn more about VIEWSHED at <https://viewshed.net/>



Judy Colby-George

**DUE DATE REMINDERS ENCLOSED - OCTOBER 1 - OCTOBER 16**



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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