May 2015 Newsletter

News From Silver Bridge CPAs

We appreciate our clients!

We wanted to take this opportunity to say **thank you for choosing Silver Bridge CPAs** to be your trusted advisors for your accounting needs and tax returns. Thank you for your loyalty and your referrals! We appreciate you and the value you place on our service.

QuickBooks Seminars:

Are you new to QuickBooks, learning a new aspect of the program, or in need of a refresher on the basics? Come in for a QuickBooks seminar. It is more efficient to receive training in advance than to clean up mistakes later. Take a look at our updated flyer and contact us to schedule a class today!

Office Hours:

Our current office hours are **Monday** through **Thursday** from **9:00 am to 5:00 pm** and we are **closed on Friday.**

TAX TIPS & TRICKS

Nonprofit Tax Return Filing Requirements:

Are you involved in a nonprofit organization? If so, make sure your organization is in compliance with federal tax law! Even though nonprofits are generally not subject to income tax, most organizations are still required to file a 990-series "information return" with the IRS. Failure to file these returns can result in expensive penalties, so make sure you know whether your nonprofit is required to file an information return, and that the return has been filed correctly and on time.

Smaller nonprofit organizations may be exempt from filing an information return but still be required to file a 990-N postcard. Failure to file the postcard can result in revocation of your organization's tax-exempt status. If your nonprofit organization is small or inactive, make sure you've kept your 990-N postcard filings up to date so you don't lose your tax exemption!

Some activities undertaken by a nonprofit are considered unrelated business. Gross receipts of greater than $1,000 from unrelated business require the filing of a 990-T, a separate tax return, and can result in tax liability for the nonprofit. If your nonprofit organization may have unrelated business income, make sure you're comfortable with the rules for these returns so you know if you are required to file.

Please contact us if you have questions about nonprofit tax returns or tax law. You can also find answers to many of your questions at **www.irs.gov**.

TAX NEWS

How do I...Protect against tax-related identity theft?

The IRS expects to receive more than 150 million individual income tax returns this year and issue billions of dollars in refunds. That huge pool of refunds drives scam artists and criminals to steal taxpayer identities and claim fraudulent refunds. The IRS has many protections in place to discover false returns and refund claims, but taxpayers still need to be proactive.

Tax-related identity theft

Tax-related identity theft most often occurs when a criminal uses a stolen Social Security number to file a tax return claiming a fraudulent refund. Often, criminals will claim bogus tax credits or deductions to generate large refunds. Fraud is particularly prevalent for the earned income tax credit, residential energy credits and others. In many cases, the victims of tax-related identity theft only discover the crime when they file their genuine return with the IRS. By this time, all the taxpayer can do is to take steps to prevent a recurrence.

Being proactive

However, there are steps taxpayers can take to reduce the likelihood of being a victim of tax-related identity theft. Personal information must be kept confidential. This includes not only an individual's Social Security number (SSN) but other identification materials, such as bank and other financial account numbers, credit and debit card numbers, and medical and insurance information. Paper documents, including old tax returns if they were filed on paper returns, should be kept in a secure location. Documents that are no longer needed should be shredded.

Online information is especially vulnerable and should be protected by using firewalls, anti-spam/virus software, updating security patches and changing passwords frequently. Identity thieves are very skilled at leveraging whatever information they can find online to create a false tax return.

Impersonators

Criminals do not only steal a taxpayer's identity from documents. Telephone tax scams soared during the 2015 filing season. Indeed, a government watchdog reported that this year was a record high for telephone tax scams. These criminals impersonate IRS officials and threaten legal action unless a taxpayer immediately pays a purported tax debt. These criminals sound convincing when they call and use fake names and bogus IRS identification badge numbers. One sure sign of a telephone tax scam is a demand for payment by prepaid debit card. The IRS never demands payment using a prepaid debit card, nor does the IRS ask for credit or debit card numbers over the phone.

The IRS, the Treasury Inspector General for Tax Administration (TIGTA) and the Federal Tax Commission (FTC) are investigating telephone tax fraud. Individuals who have received these types of calls should alert the IRS, TIGTA or the FTC, even if they have not been victimized.

Tax-related identity theft is a time consuming process for victims so the best defense is a good offense. Please contact our office if you have any questions about tax-related identity theft.

How do I . . . Change my tax withholding?

An employer must withhold income taxes from compensation paid to common-law employees (but not from compensation paid to independent contractors). The amount withheld from an employee's wages is determined in part by the number of withholding exemptions and allowances the employee claims. Note that although the Tax Code and regulations distinguish between "withholding exemptions" and "withholding allowances," the terms are interchangeable. The amount of reduction attributable to one withholding allowance is the same as that attributable to one withholding exemption. Form W-4 and most informal IRS publications refer to both as withholding allowances, probably to avoid confusion with the complete exemption from withholding for employees with no tax liability.

An employee may change the number of withholding exemptions and/or allowances she claims on Form W-4, Employee's Withholding Allowance Certificate. It is generally advisable for an employee to change his or her withholding so that it matches his or her projected federal tax liability as closely as possible. If an employer overwithholds through Form W-4 instructions, then the employee has essentially provided the IRS with an interest-free loan. If, on the other hand, the employer underwithholds, the employee could be liable for a large income tax bill at the end of the year, as well as interest and potential penalties.

How allowances affect withholding

For each exemption or allowance claimed, an amount equal to one personal exemption, prorated to the payroll period, is subtracted from the total amount of wages paid. This reduced amount, rather than the total wage amount, is subject to withholding. In other words, the personal exemption amount is $4,000 for 2015, meaning the prorated exemption amount for an employee receiving a biweekly paycheck is $153.85 ($4,000 divided by 26 paychecks per year) for 2015.

In addition, if an employee's expected income when offset by deductions and credits is low enough so that the employee will not have any income tax liability for the year, the employee may be able to claim a complete exemption from withholding.

Changing the amount withheld

Taxpayers may change the number of withholding allowances they claim based on their estimated and anticipated deductions, credits, and losses for the year. For example, an employee who anticipates claiming a large number of itemized deductions and tax credits may wish to claim additional withholding allowances if the current number of withholding exemptions he is currently claiming for the year is too low and would result in overwithholding.

Withholding allowances are claimed on Form W-4, Employee's Withholding Allowance Certificate, with the withholding exemptions. An employer should have a Form W-4 on file for each employee. New employees generally must complete Form W-4 for their employer. Existing employees may update that Form W-4 at any time during the year, and should be encouraged to do so as early as possible in 2015 if they either owed significant taxes or received a large refund when filing their 2014 tax return.

The IRS provides an IRS Withholding Calculator at www.irs.gov/individuals that can help individuals to determine how many withholding allowances to claim on their Forms-W-4. In the alternative, employees can use the worksheets and tables that accompany the Form W-4 to compute the appropriate number of allowances.

Employers should note that a Form W-4 remains in effect until an employee provides a new one. If an employee does update her Form W-4, the employer should not adjust withholding for pay periods before the effective date of the new form. If an employee provides the employer with a Form W-4 that replaces an existing Form W-4, the employer should begin to withhold in accordance with the new Form W-4 no later than the start of the first payroll period ending on or after the 30th day from the date on which the employer received the replacement Form W-4.