Coleman&Associates
Fully Integrated Tax, Accounting & Financial Services

Monthly Newsletter – April 2022

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Important Dates & Deadlines to Note

April 18, 2022

- Individual income tax returns for 2021 are due
- First quarter 2022 estimated payments are due

Coleman Portal Requires Multi-Factor Authentication for Enhanced Security

Effective November 2021, there were changes to your Coleman Portal.

Our firm partners with Thomson Reuters (TR) to provide the platform for our Coleman Portals (called NetClient CS), and TR is updating the sign-in process to make it more secure by requiring multi-factor authentication (MFA) and reCAPTCHA. MFA and reCAPTCHA add a layer of protection to the sign-in process, increasing your protection against cyber security attacks.

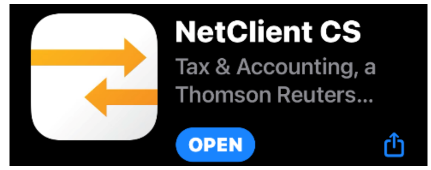
What you need to know:

- You will continue using your current username and password to access your Coleman Portal.
- If you do not already have MFA enabled, you will be prompted to add it.
- Here is a link to a 3-minute video on how to setup your MFA: https://cs.thomsonreuters.com/ua/login_security/cs_us_en/videos_htm/video-mfa-netclient-portal.htm

If you have questions, please call the office to talk to Patti Maher or email Patti@colemancpas.com

Coleman Portal – There’s an App for That!

Want to access your Coleman Portal on a tablet or smart phone? You need to download the Net Client CS app, pictured here in the Apple Store (this is in addition to the Authenticator app you already use for multi-factor authentication on your portal).



With the app, you have all the same functions that you have on your computer, including viewing archive documents via Document Presentation and securely sending us information via File Exchange.

Common April Tax Questions Answered!

The individual tax deadline of April 18th is fast approaching. Here are answers to five common questions that taxpayers typically ask in April.

1. **What happens if I don’t file on time?**
   There’s no penalty for filing a tax return after the deadline if you are set to receive a refund. However, penalties and interest are due if taxes are not paid on time or a tax extension is not requested AND you owe tax. To avoid this problem, file your taxes as soon as you can because the penalties can pile up pretty quickly. The failure-to-file penalty is 5 percent of the unpaid tax added for each month (or part of a month) that a tax return is late.
2. **Can I file for an extension?**
   If you are not on track to complete your tax return by April 18th, you can file an extension to give you until Oct. 17, 2022 to file your tax return. Be aware that this is only an extension of time to file — not an extension of time to pay taxes you owe. You still need to pay all taxes by April 18th to avoid penalties and interest. So, even if you plan to file an extension, a preliminary review of your tax documents is necessary to determine whether or not you need to make a payment when the extension is filed.
3. **What are my tax payment options?**
   You have many options to pay your income tax. You can mail a check, pay directly from a bank account with IRS Direct Pay, pay with a debit or credit card (for a fee), or apply online for an IRS payment plan. The states each have similar options. No matter how you pay your tax bill, finalize your tax payment arrangements by the end of the day on April 18th.
4. **When will I get my refund?**
   According to the IRS and Illinois, 90 percent of refunds for returns that are e-filed are processed in less than 21 days. You could end up waiting several months, however, if you paper file your return. The IRS is still processing a backlog of several million paper-filed tax returns from last year. You can use the “Where’s My Refund?” feature on the IRS and Illinois websites to see the status of your refund. The refund information is usually available 24 hours after receiving confirmation that your e-filed tax return was accepted by the IRS.
5. **I hear the IRS is still backlogged with last year's tax returns. Is this true?**
   Yes. Late changing tax legislation created tons of extra work for the IRS, all while the pandemic played havoc on staffing. During a testimony made to Congress, the Director of the IRS claims the backlog will be cleared up by the end of the year...assuming no major demands for are made on their resources.

Safe Harbor Plans Explained

The goal of 401(k) plans is to prepare employees for retirement, and the government wants to make sure that everyone — not just highly compensated employees — gets to participate in a meaningful way. To satisfy this condition, the IRS requires that plans pass certain nondiscrimination tests each plan year. If a plan were to fail one of these tests, it could mean adding administrative work, making expensive corrections, and potentially even refunding 401(k) contributions. Fortunately, there is an option for plan sponsors: a safe harbor feature that automatically satisfies most nondiscrimination testing.

A safe harbor plan has certain built-in elements that are intended to help employees save by requiring companies to contribute to their employees' 401(k) accounts. When employers take this step to encourage more employees to participate, the IRS offers them "safe harbor" from both the nondiscrimination testing process and the consequences of failure.

Safe Harbor Plan Accounts

Safe harbor plans require that you contribute to your employees' retirement 401(k) accounts in one of two forms: a match or a nonelective contribution.

- **Safe Harbor Match** – With this option, the company makes a matching contribution only to those employees who make salary deferral contributions. There are two safe harbor matching contribution formulas:
  - *Basic:* The company matches 100% of all employee contributions, up to 3% of compensation, plus 50% of the next 2%.
  - *Enhanced:* The company matches 100% of all employee contributions, up to 4% of compensation.
- **Safe Harbor Nonelective** – With this option, the company contributes at least 3% of each employee's compensation, <u>regardless of whether the employees make contributions</u>.

Unlike company discretionary match or profit-sharing contributions, safe harbor contributions must be 100% vested immediately. Safe harbor contributions must also be provided to all employees, regardless of number of hours worked during the plan year or employment status on the last day of the plan year.

For new plans, October 1st is the final deadline for setting up the safe harbor feature. However, companies shouldn't wait until a few days before the deadline to set up the plan because if there is a matching contribution, employees must be notified 30 days before the plan starts, and it can take a week or more to set up the plan. For existing plans, the deadlines depend on the type of safe harbor contribution being added to the plan.

In terms of pros and cons, the biggest downside to offering a safe harbor plan is the cost of the contributions a company will make. It's possible they could increase a company's overall payroll by 3% or more if all employees participate.

However, many companies think the upside more than outweighs the cost. Offering a safe harbor plan can result in happier employees, tax savings, and greater certainty that the plan won't fail nondiscrimination tests. Plus, businesses can often contribute <u>more than 3%</u> to owners and key employees.

Interested in learning more about safe harbor plans? Call our office, we can help.

Working from Home Necessitates Secure Home Networks

Stay at home mandates forced many companies to quickly establish remote operations from their employees' homes. You set up secure, remote connections for your employees, but did they ensure their home networks were equally secure? Simply installing anti-virus software and a basic firewall is no longer sufficient to protect against unwanted intruders and malware.

Here are some basic security requirements for your employees' home networks:

- Limit access to company or client information from "company-designated" machines – including computers, laptops, tablets and smartphones. Machines should not be shared with family members, if possible, in order to minimize the risk of malware infections and hacker attacks.
- Require the use of Wi-Fi Protected Access 2 (WPA-2) with the Advanced Encryption Standard (AES) encryption. Make sure the router's firmware has been updated, change the default password using recommended password requirements, and if possible, set up both a "work" and "home" access. This limits access to the "work" account.
- Do not use Wire-Equivalent Privacy (WEP) to connect computers to a router; WEP is not considered secure and opens the risk of key loggers and wi-fi piggybacking.
- Do not allow devices to auto-join unfamiliar networks. If employees must connect to public or unknown networks, use an encrypted Virtual Private Network (VPN) to allow for a more secure connection.
- Require mandatory screen locking on computers and smartphones. After 5 minutes of being idle, devices should be locked to protect against unauthorized user access.
- Enable the browser's pop-up blocker.
- Whether you use Zoom, Microsoft Teams, or another service for video calls, require a passcode for all meetings and place all participants in the "waiting room" until you add them to the conversation. While an unexpected attendee might only be mischievous, they could learn sensitive and confidential information.

Help Your High School Student Become Money Smart

Here are a dozen financial concepts to consider discussing with your kids before graduating high school.

- **How bank accounts work.** While there are numerous online applications, consider using an old-school check register when teaching the basics of how to track and reconcile bank account activity.
- **How credit cards work.** Emphasize to your child that credit card spending actually creates a loan. Go through a monthly statement together and show how interest is calculated and stress the need to never carry a balance from month to month by showing how long it takes to pay off the debt with minimum payments.
- **Tax basics.** When your child receives their first paycheck, walk through their paystub to explain Social Security and Medicare taxes, federal income tax withholdings, and state tax withholdings. If they receive a Form 1099 instead of a paycheck, consider opening a savings account and explain that they will need to set aside a certain percentage of their money to pay the IRS.

- **The power of a retirement account.** Explain the advantages of long-term savings tools like an IRA. The wise saver can turn into a self-made millionaire by starting their retirement savings at a young age.
- **How credit scores work.** Consider explaining how credit scores work and the importance of keeping their score at the highest level possible. If your child is like many young adults who currently doesn't have a credit score, consider downloading your own credit report and walk through it with them.
- **Spend within your means.** Saving first before spending is a simple concept that is becoming a lost art. Help your child understand this by setting their sights on something they want, and then help them save money to buy it.
- **The art of saving.** Part of spending within your means implies that your child has healthy savings habits. Walk your child through the techniques that work for you. Perhaps it is setting up a separate savings account or automatic transfers from a paycheck.
- **The strength of investing.** The most valuable investment a young person can make is in themselves. Whether it's a college degree or a trade school diploma, your child can build tremendous value with skills that will provide a positive financial return each year.
- **Understanding of stocks and mutual funds.** With an understanding of investments, consider teaching your child some of the basic investments available to them. Stocks and mutual funds are the most common, but also consider explaining bonds, CD's, annuities and other investments.
- **Budgeting.** Help your child create a basic budget, then help them track their savings and spending against this budget.
- **Cash flow.** The hard way to learn the lesson of cash flow is when bill collectors are calling and there simply isn't money to pay them. When creating an initial budget, show your child the flow of funds each month.
- **Calculation of net worth.** Assets (what you own) minus liabilities (what you owe others) equals net worth. Every person has a net worth...even a child. So, help them understand theirs and periodically calculate it.

As always, contact the office with questions by emailing us at info@colemancpas.com or calling 773-444-3100. We are here to help.