Coleman & Associates
Fully Integrated Tax, Accounting & Financial Services

Monthly Newsletter

April 2019

April 15:
✓ Individual tax returns due
✓ C Corporation tax returns due
✓ First quarter 2019 estimated tax due
✓ Six month filing extension
✓ 2018 gift tax deadline
✓ 2018 IRA contributions deadline
✓ 2018 HAS contributions deadline

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Tax Day is Here!

5 Big Questions People Are Asking

The individual tax deadline of April 15 is fast approaching. Do you have all your tax arrangements in order? Here are five important questions that people are asking.

1. **What happens if I don't file on time?** There's no penalty for filing a late tax return after the deadline if you are set to receive a refund. However, penalties and interest are due if taxes are not filed 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 15, you can file an extension to give you until Oct. 15 to file your tax return. Be aware that it 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 15 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. No matter how you pay your tax bill, finalize tax payment arrangements by the end of the day on April 15.
4. **When will I get my refund?**
   According to the IRS, 90 percent of refunds for e-filed returns are processed in less than 21 days. Paper filed returns will take longer.24 hours after you receive your e-file confirmation (or 4

weeks after you mail a paper tax return), you can use the [Where's My Refund?] feature on the IRS website to see the status of your refund.

5. **Oops, I forgot a tax document. Now what?**
   The first thing to do is determine the impact the new information has on your filed return. For example, if you claim the standard deduction and then receive a mortgage interest statement that does not bring your expenses above the deduction threshold, there's nothing more you need to do. Simply file the statement with your other tax documents. If, on the other hand, you receive something like a Form 1099 with additional income, you will need to amend the tax return to claim the income. In cases like this, please call in order to review your situation and the timing of the correction.

Take Quiz: Wild State Tax Laws

Think taxes are simple and filled with common sense? Think again! Enjoy this fun quiz to see how well you know the crazy world of state taxes. Answers can be found at the end of the newsletter.

1. If you have a hankering for an apple or banana at work, you'll pay an extra tax to buy fruit from a vending machine in which state?

A. Georgia
B. South Dakota
C. California
D. Oregon

2. Looking to finally get that "mom" tattoo on your arm? Which of these states charges a 6% tax on that tattoo?

A. Minnesota
B. Arkansas
C. Delaware
D. Texas

3. **Have you ever looked at a tree in your yard and thought, "wow, that tree sure is exceptional"? If you have one of these "exceptional" trees on your property you might be entitled to a $3,000 tax deduction in which state?**

A. Hawaii
B. Missouri
C. Maine
D. Alaska

4. Next time you are at a bakery in this state and the baker lifts the knife to cut your bagel, stop them. It could be a taxable event! Can you name the state?

A. Utah
B. Wisconsin
C. Pennsylvania
D. New York

5. Looking for a long-term retirement tax-savings tip? Which state exempts you from state taxes once you turn 100?

A. Michigan
B. New Mexico
C. Rhode Island
D. Virginia

As you enjoy the nice spring weather, spread some of this fun tax knowledge with family and friends.

4 Key Metrics to Fortify Your Business

Even the best, well-prepared business plans can unravel quickly without a process in place to evaluate performance. Creating a scorecard with quality metrics can give you the daily insight you need to successfully run a business without drowning in the details.

Create a scorecard that works

An effective scorecard gives you a holistic view of the state of your business in one report. The report consists of key financial and non-financial metrics to provide a daily look at the health of your business. To be useful, your measures should be concise, available on-demand, and include properly targeted data to help you quickly spot trends and react appropriately.

Effective business metrics to consider right now

1. **Quick Ratio (financial)**
   Add up your total cash, short-term investments and accounts receivable. Then divide that total by your current liabilities. This is your quick ratio. It's a simple way to see if you have enough funds on hand to pay your immediate bills. A value of 1.0 or more means your liquid assets are sufficient to cover your short-term debts. A value less than 1.0 may mean you're relying too heavily on debt to fund your operations or pay expenses.
2. **Retention Percentage (customers)**
   First, create a list of customers who made purchases this year and a list of customers who made purchases last year. Then, remove all new customers gained in the current year. Divide the total number of customers from last year by the remaining number of customers for this year. This is your customer retention percentage. Measure this over time to see if your business is retaining or losing core customers. If you have a condensed sales cycle, you can shrink the period down further. For example, by looking at this calculation each month, you can see how it builds over the year.
3. **Asset Turnover Ratio (internal process)**
   Divide your total sales by average total assets from your company balance sheet. (beginning assets plus ending assets, divided by two) for the same time period. The end result tells you the amount of sales generated for each dollar committed to your assets. The number may not reveal much by itself, but when reviewed over time, you'll have a better understanding of whether the assets used to run your business are becoming more or less effective.
4. **Net Income Per Employee (growth)**
   Divide your net income by your total number of employees for a given time period. In theory, as your workforce develops, it should generate more income per employee. Remember to account for part-time employees prior to making your calculation (e.g., a part-time employee working 20 hours per week is 1/2 an employee for purposes of this calculation). If the income per employee is getting lower over time, figure out why. Perhaps you have high employee turnover, or there is an area of your company that can benefit from training.

While each ratio may help you analyze different aspects of your business, they don't tell you the whole story. Finding the right mix of metrics for your scorecard can take some time, but the end result is a valuable tool that can take your business to the next level.

Don’t Leave Your Business Exposed

5 Insurance Tips to Protect Your Assets and Your Bank Account

Have you conducted a business insurance review lately? Changes in your business equipment, real estate holdings, the amount of inventory, and the number of employees are all good reasons to review your insurance. Here are a few policy review tips to consider:

1. **Keep in regular contact with your insurance company.** Keep your insurance agent apprised of what you are doing in your business. Try to meet with your agent throughout the year, and conduct a detailed annual review of your insurance needs.
2. **Understand how business changes affect your policy.** Figure out how your policy covers common changes, as well as other changes you know are happening soon. This involves understanding the limits and terms of your policy. You can start by asking if you're properly insured for property damage, liability coverage, health and disability, and life insurance.
3. **Conduct a competitive review.** Periodically conduct a competitive review of your insurance needs. Bring in at least two other insurance providers, as well as your current provider. The frequency of the review will be driven by changes in your business, the stability of your current insurance provider, and the need to understand the evolving landscape of business liabilities. A review will keep your premiums competitive, as well as help you learn about coverage holes in your current policy.
4. **Identify evolving coverage risks.** As the business climate evolves, so should your insurance coverage. Think about what's on the horizon. Who would have anticipated the need to cover cyber-attacks and identity theft 10 years ago?
5. **Review safety plans and company policies.** This goes hand-in-hand with a business insurance review. Make sure your team is adhering to established employment and operations policies. Getting an insurance claim approved and maintaining reasonable premiums often depend on specific factors you can reinforce through these policies.

Finding the right level of coverage for the right price is possible, but it takes some preparation and planning. Invest some time now to review your insurance policies to save a lot of potential pain and money down the road.

Answers to Wild State Tax Laws Quiz

1. *C. California. Cold food is tax-exempt if purchased at a store, but subject to tax on 33% of the price if you purchase fruit from a vending machine. If you sell fruit in this state...good luck keeping track of the tax.*
2. *B. Arkansas. Body piercings are also taxed at 6%. So if you are waffling between getting that tattoo or a nose ring, you can eliminate taxes as a deciding factor!*
3. *A. Hawaii. Worried about how new developments were destroying the environment in the 70's, the Hawaii State Legislature added the tax deduction for expenditures paid to maintain an exceptional tree.*
4. *D. New York. Slicing a bagel meets the state's definition of prepared food and is subject to an 8 percent sales tax. That goes for applying cream cheese as well.*
5. *B. New Mexico. If you are 100 or older and are not claimed as dependent, you are exempt from filing and paying New Mexico personal income tax.*

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