



Coleman & Associates

Fully Integrated Tax, Accounting & Financial Services

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Important Dates & Deadlines to Note

September 15, 2023

- Filing deadline for 2022 calendar-year S corporation and partnership tax returns on extension
- Due date for 3rd quarter installment of 2023 estimated income tax for individuals, calendar-year corporations and calendar-year trusts & estates

Common Situations that Require a Tax Review

Taxes can affect many areas of your life. Here are some common situations when you'll want to schedule a tax review.

1. **Life changes.** A change in your life could mean significant changes in your tax status. Some of these changes include:
 - Getting married or divorced
 - Retirement
 - A child starting college or an adult going back to school
 - Moving to a new home
 - The birth of a child or an adoption
 - A family member passes away

Tax deductions and credits can increase and decrease because of these and other life changes. You'll want to know as soon as possible if your taxes will be going up so you can be prepared to pay the increased amount.

2. **A new job.** You'll have several decisions to make when starting a new job that will affect your tax situation:

- Retirement savings plans - Learn about the available retirement savings plans offered by the employer and any other tax-deferred savings options. Remember that some employers will match a certain percentage of contributions that an employee makes to a plan.
- Medical savings accounts - Your employer may offer a Flexible Spending Account or a Health Savings Account to help with paying certain medical expenses with pre-tax funds.
- Withholding - You'll need to determine if you want additional federal (along with state and local income taxes if applicable) income taxes withheld from your paycheck beyond what your employer is obligated to withhold.

You can decrease your taxable income by contributing to qualified retirement and medical savings plans. A tax planning session can reveal how much you can contribute to each of these plans, and if you should consider adjusting your paycheck withholdings.

3. **A new business or side hustle.** A new business (hopefully!) means more money, but also more tax responsibilities. Here are some things to consider:

- Separate accounts and credit cards - If you only remember one tip, it's to keep separate accounts. Without this, it is easy for the IRS to deem expenses as personal and, therefore, not deductible.
- Paying estimated taxes - As a business owner, you are responsible for making tax payments throughout the year to the IRS if your business is profitable.
- Setting up a bookkeeping system - Having an accurate bookkeeping system is vital to making sure you don't pay any more in taxes than you're legally obligated to pay. Consider reconciling your bank accounts weekly (or even daily if possible) so they're always current.
- Other tax responsibilities - You may be required to submit a sales tax return depending on what types of products you sell or services you provide. You'll also be required to submit various payroll tax returns if you have any employees.

Most small businesses are flow through entities. This means any business profits will add to your personal income. Because of this, your personal tax situation could vary dramatically! So, tax planning becomes critical on two fronts: Your new taxable income level AND helping you stay in compliance at the federal, state and local business tax rules.

Nobody likes a tax surprise and now is a great time to schedule a tax planning review.

Mastering Your Credit Card

The average credit card balance in America ballooned to \$5,910 in 2022. This figure is up 13.2% from the year before according to Experian, and it spells out a worrisome (and costly) trend for consumers. After all, credit card interest rates were on rise throughout all last year and well into 2023, mostly due to changes to the federal funds rate by the Federal Reserve. The fact is, consumers with credit card debt pay an average interest rate of 20.92% as of February 2023, compared to just 16.65% in the second quarter of 2022.

Fortunately, you have the power to use credit cards to your advantage — and to avoid paying exorbitant interest rates altogether. Consider these tips to utilize your credit cards in the most beneficial way.

- ❖ **Plan purchases to carry no credit card balance.** While interest rates are incredibly high right now, you can use credit cards without paying for the privilege. Instead of racking up balances and hoping you can afford the bill, use credit cards for planned purchases only — and for spending that's backed up by money in the bank. Provided you pay your credit card balance in full each month, today's sky-high interest rates can't hurt you.
- ❖ **Consolidate high-interest debts.** You can get a break from today's high rates by consolidating credit card debt you already have with a 0% balance transfer credit card. Many cards in this niche give you 0% APR on balance transfers, purchases or both for up to 21 months. This gives you time to pay down your balance with zero interest, which can help eliminate debt faster and save money along the way.
- ❖ **Earn rewards for your spending.** If you're still using your old credit card from college or haven't bothered to upgrade in the last few years, you could be missing out. Today's credit cards let you earn as much as 2% cash back on spending with no annual fee, or you can opt to earn generous rewards for travel instead. Just make sure you carry no balance, as interest rates on these cards can be even higher than regular credit cards.
- ❖ **Put your perks to work.** Finally, check whether your credit card has other, often unpromoted, benefits. Depending on your card, you may have access to perks like purchase protection against damage or theft, extended warranties on items you buy that come with a manufacturer's warranty or even travel insurance protections. If you already have access to these benefits or others, knowing ahead of time is the best way to put them to good use.

Credit cards offer convenience and a range of features you can benefit from, but they can either be a blessing or a curse for your finances. Ultimately, your best bet is taking control of your credit card use before it controls you.

Hiring Family Members – What You Need to Know!

Many business owners hire their children, their spouse, or other family members to work in their business. Sometimes this works out well. Other times it causes problems. Here are some of the key pros and cons of putting family members on your payroll.

Hiring your children

Hiring your kids for a part-time job usually has more tax advantages and fewer drawbacks than hiring others. The financial advantage is that if you're paying your child to do useful work, the business gets a tax deduction for the wages paid. Your child will probably pay little or no income tax, and the after-tax wages stays in the family.

To ensure the wages are fully deductible the child must be doing a real job that helps the business, and the wages must be reasonable for the work performed. Keep detailed records of hours worked and pay salary regularly, preferably on the same schedule as other employees. In other words, treat your child just like any regular employee.

In addition, depending on how your business is organized and the age of your child, you may be able to avoid paying Social Security, Medicare, and unemployment on their wages. To qualify, you must be a sole proprietor or a husband-wife eligible partnership and your child must be under the age of 18.

Hiring your spouse or other relatives

An advantage to hiring your spouse or other relatives is that you have an employee whom you know well, and who may be more motivated or more flexible than a non-family member. And in many family-owned businesses, it's a powerful way to train the next generation who will take over leadership of the company.

That same familiarity can bring disadvantages, however.

Few families are without some internal or intergenerational conflict, and that can be disastrous if it spills over into the workplace. You must also consider the effect on other employees. Any sign of favoritism or unequal treatment can cause resentment and ruin the motivation of other employees.

Be cautious moving forward

There are plenty of businesses where hiring family members has worked out just fine, but other businesses where it didn't work out.

So, think long and hard before you bring family members into the business. Talk to them and to your key employees beforehand so everyone understands and is comfortable with their roles in the company.

IRS and Security Summit Partners Warn of New Unusual Mail Scam

The IRS has issued a warning to taxpayers about a new scam involving fraudulent mailings that falsely claim recipients are owed a refund.

The scam involves a cardboard envelope from a delivery service, containing a letter that displays the IRS masthead and misleading language regarding an "unclaimed refund." The letter provides contact information and a phone number that does not belong to the IRS, along with a request for sensitive personal information such as detailed pictures of driver's licenses. This information can be used by identity thieves to steal tax refunds and other financial data.

This scam is part of a larger trend where identity thieves pose as the IRS in attempts to deceive individuals into providing valuable personal information. Be vigilant and watch out for red flags that indicate IRS scams, as they can come through various channels such as email, text, or special mailings.

Several warning signs

The Security Summit, a coalition between the IRS, state tax administrators, and the tax industry, continues to urge people to safeguard their personal information to prevent tax-related identity theft and similar scams. This particular scam exhibits several warning signs commonly seen in email or text-based schemes. What sets it apart is its attempt to trick recipients into emailing or phoning detailed personal information in order to steal valuable data.

- The scam letter requests recipients to provide “Filing Information” for their refund, including a clear phone image of their driver’s license showing all four angles, taken in a well-lit location.
- The letter proceeds to ask for more sensitive information such as cellphone number, bank routing details, Social Security number, and bank account type. It ends with a poorly worded warning about needing to provide the information to a filing agent to submit an unclaimed property claim.
- The letter contains numerous warning signs, such as unusual punctuation, mixed fonts, and inaccuracies. For instance, it incorrectly states the deadline for filing tax refunds as October 17, whereas the actual deadline for those on extension for their 2022 tax returns is October 16.
- Furthermore, the IRS deals with tax refunds, not “unclaimed property.”

Communications that impersonate legitimate organizations

The IRS and Security Summit partners regularly educate the public about common scams, including the annual IRS Dirty Dozen list. They emphasize that taxpayers and tax professionals should be cautious of fake communications that impersonate legitimate organizations in the tax and financial community, including the IRS and state agencies. These fraudulent messages often arrive as unsolicited emails or texts and aim to deceive victims into providing personal and financial information, leading to identity theft through methods like phishing and smishing. It is important to note that the IRS never initiates contact with taxpayers via email, text, or social media regarding bills or tax refunds. Individuals should never click on unsolicited communications claiming to be from the IRS, as they may contain malware or ransomware.

Taxpayers are also advised to exercise caution with messages that seem to be from friends or family, as these accounts may have been compromised. To verify the sender’s identity, it is recommended to use another communication method, such as calling a known and accurate number rather than the one provided in the email or text.

Extension Reminder

For those of you on extension for 2022, please send us your missing information as soon as possible. We want to complete your returns and provide you with accurate estimated tax information for 2023.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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