

## Monthly Newsletter

June 2019

June 17:

✓ 2<sup>nd</sup> quarter estimated taxes due

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### IRS Payment Options

IRS offers taxpayers convenient, secure ways to [pay their taxes](#) throughout the year. Taxpayers can pay:

- Online
- By phone
- With their mobile device using the IRS2Go app

Some taxpayers must make quarterly estimated tax payments throughout the year. These taxpayers may include sole proprietors, partners, and S-corporation shareholders who expect to owe \$1,000 or more when they file. Individuals who participate in the sharing economy might also have to make estimated payments.

There are several options for taxpayers who need to pay their taxes. They can:

- Pay using their bank account when they e-file their return. Taxpayers can do this for free using [electronic funds withdrawal](#).
- Use IRS [Direct Pay](#) to pay their taxes, including estimated taxes. Direct Pay allows taxpayers to pay electronically directly from their checking or savings account for free. Taxpayers can also choose to receive email notifications about their payments. Taxpayers should remember to watch out for email scams. IRS Direct Pay sends emails only to users who requested the service.
- Pay by [credit or debit card through a card processor](#). There is a fee to pay this way. Taxpayers can make these payments online, by phone, or using their mobile device with the IRS2Go app.
- Make a cash payment at a participating 7-Eleven store. Taxpayers can do this at more than 7,000 store locations nationwide. To pay with cash, taxpayers can visit [IRS.gov/paywithcash](https://www.irs.gov/paywithcash) and follow the instructions.
- Spread out their payments over time by applying for an [online payment agreement](#). Once the IRS accepts an agreement, the taxpayers can make their payment in monthly installments.

For more information you can go to <https://www.irs.gov/payments>.

### **IRS Announces Multi-Year Plan to Update, Modernize IT Systems**

The Internal Revenue Service released on April 18<sup>th</sup>, 2019 a six-year plan to modernize the agency's Information Technology systems and improve a variety of taxpayer services critical to the nation's tax system.

The plan outlines a bold strategy to enable business transformation focused on improving services for taxpayers and the tax community while protecting taxpayer data.

The IRS Integrated Modernization Business Plan is anticipated to cost between \$2.3 billion to \$2.7 billion over six years through Fiscal Year 2024. Some components of the plan are in place for the current year, and the administration's budget proposal for Fiscal Year 2020 includes \$290 million in funding for the plan.

The plan is built around four "Modernization Pillars" that will help drive innovation and support the future of the IRS and its mission. These pillars are: the taxpayer experience, core taxpayer services and enforcement, modernized IRS operations as well as cybersecurity and data protection.

The four modernization pillars and material in the plan were based on extensive review by IRS, outside experts as well as ongoing input and needs from stakeholders and partners in the tax community.

The plan envisions the IRS being able to:

- Significantly improve the taxpayer experience by standardizing customer workflows and by expanding access to information.
- Reduce call wait and case resolution times with customer callback technology, online notices, and live online customer support.
- Simplify identity verification to expand access to online services while protecting data.
- Increase systems availability for taxpayers and tax practitioners.
- Make implementation of new tax provisions more straightforward.

Additional specifics on individual programs are highlighted in the plan. The IRS will implement this plan in two three-year phases, monitor its progress and adjust investment decisions as part of updating the plan.

A key aspect of the plan should allow the IRS to modernize key systems and stabilize the cost of maintaining the technology ecosystem. Modernizing IRS systems creates opportunities to potentially reinvest savings in order to keep technology current and on pace with evolving taxpayer expectations.

The plan, which will be dependent on future funding, also includes milestones and accountability to ensure it is implemented efficiently and effectively.

The IRS will provide regular reporting to Congress and oversight organizations as well as work with partners in the tax community as we implement the plan.

You can find the six-year plan at

[https://www.irs.gov/pub/irs-utl/irs\\_2019\\_integrated\\_modernization\\_business\\_plan.pdf](https://www.irs.gov/pub/irs-utl/irs_2019_integrated_modernization_business_plan.pdf).

### **Illinois Emergency Contact Database**

If you are an Illinois resident and hold an Illinois driver's license, instruction permit and/or identification card, you are eligible to register your emergency contact information.

<https://www.cyberdriveillinois.com/departments/drivers/ECD/home.html>

The Emergency Contact Database allows you to voluntarily enter one or two individuals to serve as your emergency contacts in the event you are involved in a traffic crash or have a medical emergency where you cannot communicate directly with law enforcement or emergency responders. The

Emergency Contact Database also allows you to enter basic medical information such as disabilities, medical conditions or special needs (i.e., drug allergies or taking certain prescription medication).

Your emergency contacts do not have to be Illinois residents.

In the event of an emergency situation, only law enforcement will have access to this information and can reach out to your emergency contacts on your behalf.

The Emergency Contact Database also allows you to modify your contact information. You can change the name, address, phone numbers or delete contacts at your convenience.

Once you have submitted your emergency contact information, we encourage you to print a copy of the information and keep it in a safe location with your other important documents such as your passport and credit card information. You are also encouraged to share copies with the individual(s) you name as your emergency contacts so they will know you have listed them.

It is the user's responsibility to enter accurate data into the required fields, as well as to update contact data if necessary. The Secretary of State's office assumes no responsibility for the accuracy of the data entered by the holder of a driver's license (including commercial driver's license), instruction permit, temporary visitor's driver's license and/or identification card and disclaims any liability for damages, costs, and/or expenses, including, without limitation, consequential damages, arising or resulting from any inaccurate data or failure to update contact data.

## **5 Summer Tax Savings Opportunities**

Ah, summer. The weather is warm, kids are out of school, and it's time to think about tax saving opportunities! Here are five ways you can enjoy your normal summertime activities and save on taxes:

1. **Rent out your property tax-free.** If you have a cabin, condo, or similar property, consider renting it out for two weeks. The rental income you receive on property rented for less than 15 days per year is not considered taxable income. In addition, you can still deduct your mortgage interest expense and property taxes in full as itemized deductions! Track the rental days closely — going over 14 days means all rent is taxable and rental income rules apply.
2. **Take a tax credit for summer childcare.** For many working parents, the summer comes with the added challenge of finding care for their children. Thankfully, the Child and Dependent Care Credit can cover 20-35 percent of qualified childcare expenses for your children under the age of 13. Eligible types of care include day care, nanny fees and day camps (overnight camps and summer school do not qualify).
3. **Hire your kids.** If you own a business, hire your kids. If you are a sole proprietor and your child is under age 18, you can pay them to work without withholding or paying Social Security and Medicare tax.
4. **Have a garage sale.** In general, the money you make from a yard or garage sale is tax-free because you sell your goods for less than you originally paid for them. Once the sale is over, donate the remaining items to a qualified charity to get a potential charitable donation deduction. Just remember to keep a log of the items you donate and ask for a receipt.
5. **Start a Roth IRA for your children.** Roth IRA contributions are limited to the amount of income your child earns, so earned income is key. This can include income from mowing lawns or selling lemonade. Start making contributions as soon as your child makes some money to take advantage of the tax-free earnings available in a Roth IRA.

Taking the time this summer to execute these tips can put extra money in your pocket right away and provide you tax-saving happiness in the future.

## **Payroll Fraud Schemes Every Business Should Know**

According to the Association of Certified Fraud Examiners, nearly 30 percent of businesses are victims of payroll malfeasance, with small businesses twice as likely to be affected than large businesses. Here are four scary payroll fraud schemes you need to know:

- **Ghost employees.** A ghost employee does not exist anywhere except in your payroll system. Typically, someone with access to your payroll creates a fake employee and assigns direct deposit information to a dummy account so they can secretly transfer the money into their own bank account.
- **Time thieves.** Time stealing happens when employees add more time to their timecard than they actually worked. Sometimes multiple employees will team up to clock each other in earlier than when they arrive or later than when they depart for the day.
- **Commissions manipulation.** In an attempt to bump up a commission payment or attain a quota, sneaky sales employees may alter a sales contract to their benefit. A typical tactic used by a dishonest salesperson is to make a booked sale appear larger than it is and then slide a credit memo through the system in a later period. Companies with complicated commission calculations or weak controls in this area are the most vulnerable.
- **Phishing scams.** A popular scam, known as phishing, starts with a fraudster impersonating a company executive through email or over the phone asking an employee with access to payroll data to wire money or provide sensitive information like copies of W-2's. These imposters can make the correspondence look very real by using company logos, signatures and email addresses.

## **Tips to combat payroll fraud**

Being aware of the threats is a start, but you also need to know how to stop them. Here are some tips to reduce your company's payroll fraud risk:

- **Better internal controls.** While most employees are trustworthy, giving too much control over your payroll to one person is not a good idea. Separating payroll duties and formalizing an approval process protects both your business and your employees.
- **Review payroll records.** Designate someone outside of the payroll-processing department to periodically review the payroll records. Have them review names, pay rates and verify that the total payroll matches what was withdrawn from the business bank account.
- **Perform random internal audits.** During an internal audit is when you can really get into the details to look for potential payroll fraud. You can do an in-depth review of the whole payroll system or select a random sample of dates and employees. Keep the timing of the audit under wraps to prevent giving someone the chance to cover up their misdeeds.

Managing your business payroll is a daunting task by itself, and actively protecting against fraud adds additional complexity. Please call for help with your business payroll needs.

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

*This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.*