



Coleman & Associates

Fully Integrated Tax, Accounting & Financial Services

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Upcoming Deadlines

- ✓ **October 15th** - Extended individual and C-corp tax return filing deadline

Illinois Tax Amnesty Program

A short-term Illinois tax amnesty program run to November 15, 2019. Under the plan, the state's tax department will waive penalties and interest for applicants with tax delinquencies who come forward to pay up. The easing covers periods ending after June 30, 2011, and prior to July 1, 2018. Property, franchise and local taxes are not included.

For additional information, including a set of frequently asked questions, go to the Illinois Department of Revenue website. <https://www2.illinois.gov/rev/Pages/default.aspx>

1040 Changing Again for 2019

In 2018, the government attempted to "simplify" the tax-filing process by drastically shortening Form 1040. The result was six new schedules that created a lot of confusion. Now the IRS is attempting to ease some of that pain by revising the form and removing some schedules. Will it help? Here is what you need to know:

- **More information on the main form.** To make it easier for the IRS to match pertinent information across related tax returns, new fields have been added on the main Form 1040. For example, there's now a spot for your spouse's name if you choose the married filing separate status. In addition, there's a separate line for IRA distributions to more clearly differentiate retirement income.
- **3 schedules are gone.** What was your favorite memory of Schedules 4, 5 and 6? Was it the unreported Social Security tax on Schedule 4? Or the credit for federal fuels on Schedule 5? While those schedules will no longer exist, those lines (and many others) have found a new home on one of the first three schedules. Less paperwork, but still the same amount of information.
- **You can keep your pennies!** For the first time, the IRS is eliminating the decimal spaces for all fields. While reporting round numbers has been common practice, it's now required.

- **Additional changes on the way.** The current versions of Form 1040 and Schedules 1, 2 and 3 are in draft form and awaiting comments on the changes. Because of the importance of the 1040, the IRS is expecting to make at least a few updates in the coming weeks (or months) before they consider it final. Stay tuned for more developments.

How to prepare for the changes

The best way to prepare is to be aware that 1040 changes are coming. The information required to file your taxes will remain the same, but some additional hunting will be necessary to find the shifting lines and fields on the modified form.

Remember, changes bring uncertainty and potential for delays, so getting your tax documents organized as early as possible will be key for a timely tax-filing process.

Amazon and eBay Sales Taxes

If you or your business sells product on Amazon using the Fulfillment by Amazon (FBA) service, you are well into the multi-state sales tax mess ... even if you are not aware of it. You may be asking yourself:

- Do I now need to register my business with every state and collect tax on their behalf?
- Do I really have physical nexus? What about economic nexus? What is nexus?

Background

The old sales tax standard required you to collect and remit sales tax only in states that you have a physical presence (also known as physical nexus). The recent *South Dakota vs. Wayfair, Inc.* decision by the Supreme Court then legitimized the concept of economic nexus. This means your business could be required to collect and remit sales tax based on where you ship a product and not whether you ever set foot in a particular state (economic nexus).

The bigger mess

States were quick to jump on the bandwagon and actively identify Amazon, Ebay and Walmart sellers to demand sales tax for website sales. Some states, like California, got even more aggressive and decided that FBA sellers actually have physical presence because Amazon may put your product in a warehouse in their state. They got seller lists from Amazon and sent out threatening letters to small sellers demanding back sales tax, even though businesses have no way to retroactively collect the tax because the customers are Amazon customers.

Marketplace facilitator to the rescue?

To help address this mess and alleviate the need for small businesses to collect and remit sales tax forms to 50 states, many states acknowledged the problem and have passed what is called Marketplace Facilitator laws.

In short, it's on the facilitator, NOT you. States with these laws require Amazon, Ebay and similar companies that facilitate sales for resellers to collect and remit sales tax on reseller Amazon activity. There are more than 30 states that have adapted these laws.

You DO NOT need to register your business to collect sales tax in states that have Market Facilitator legislation unless you are otherwise required to do so.

What you need to know:

- ✓ **Know the states.** Know which states have Marketplace Facilitator laws. If you don't, you could unwittingly register your business with a state when you do not have to do so.

- ✓ **Some states deploy deceptive tactics.** For example, California passed a Marketplace Facilitator law effective October 2019. Despite this law, the California Department of Tax and Fee Administration (CDTFA) is actively soliciting small businesses who sell on Amazon to register and remit sales taxes for a time period prior to this date without disclosing the new law. To make matters worse, their sales tax registration form could make you personally liable for business-related sales tax and disclose your confidential supplier list. It may also be filled with other legal entrapments.
- ✓ **Know the minimums.** Even states without Marketplace Facilitator laws typically have minimum thresholds before they require you to collect and remit sales tax. Every state is different, but the typical limit is 200 transactions or \$20,000 in sales.
- ✓ **Check out streamline states.** Collecting and remitting sales tax is a daunting task for any small business. Using a third party sales tax administrator is very expensive. There is some help, albeit still complicated, for registering with 23 states that are part of a streamline sales tax agreement.

Sales tax collection in multiple states is not for the faint of heart. Streamline Sales Tax and Bill Track 50 are a few of the popular sites that can help.

Reminder: Time to Start the Financial Aid Process

If you have a child in college or entering college during the next school year, you need to read this. You can now fill out your required Free Application for Financial Student Aid (FAFSA) for the next school year.

FAFSA application timeframe

The Free Application for Federal Student Aid (FAFSA) process opened on Oct. 1.

The time to file is now

The earlier you file your application, the earlier you will receive aid packages from most participating schools. The application is used to receive grants, federal loans and work study awards.

5 Ways Payroll Services Boost a Business

Is a payroll provider right for you and your business? While it is an added expense, there are good reasons to add a partner to help with this service.

Here are five things to consider:

1. **Allows full attention on growing the business.** If a portion of employees is focused on managing and processing payroll, business growth opportunity may be stifled. This is especially true if a key employee or owner is the one processing payroll. By outsourcing payroll responsibilities, the full workforce can concentrate on growing the business.
2. **Improves accuracy and compliance.** Most entrepreneurs didn't go into business to tabulate hourly time cards, calculate tax withholdings, or stay current with the constantly changing government filing requirements. Thankfully there are those who specialize in monitoring labor regulations, compliance updates and the number-crunching that payroll requires. This will invariably improve the payroll accuracy a business needs.
3. **Lowers audit risk and increases peace of mind.** Federal taxes, state taxes, local taxes, Social Security, Medicare, unemployment taxes and overtime requirements are long (and growing). Payroll services reduce audit risk on the front end and provide audit assistance on the back end.

4. **Enhances internal controls.** Separation of duties is an important internal control for all businesses. This is tough to do in a small company. Businesses with one or two-person payroll departments are susceptible to fraud or embezzlement. Adding an outside payroll service can provide the checks and balances a company needs to stay protected.
5. **Save money.** One of the key methods of reducing business costs is adding efficiency. Outsourcing payroll increases efficiencies because payroll professionals need fewer hours to get the job done. These time improvements, coupled with potential savings in penalties and interest, can have a positive effect on net income.

When laying out and understanding all aspects of using a payroll service, it may be time to review your situation. Did you know – Coleman & Associates offers payroll services? Contact us for more info.

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

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