BENDER, CICCOTTO & CO.
Certified Public Accountants, LLP

Inside this Issue:

CLIENT UPDATE

SPRING 2020

Contact Us

206 New Highway, Amityville, NY 11701
Tel: (516) 826-6800 • (631) 956-9600
Fax: (516) 826-1080
www.bcc.us.com

Take advantage of new retirement rules

The Setting Every Community Up for Retirement Enhancement Act, also known as the SECURE Act, was passed by Congress in late December, 2019. Here are some of the features in the new legislation that will help you save more for retirement:

▶ Money can continue to grow tax deferred

If you turn 70½ in 2020 or later, you can keep money in a tax-deferred IRA or 401(k) for another 18 months to help the account continue growing before starting to withdraw funds. This retirement benefit is now available thanks to the required minimum distribution age being raised from 70½ to 72.

***Action:** Review your retirement account distribution needs and use this extra time to help make your distributions more tax efficient. For example, if you have $10,000 before you hit the next highest tax bracket, consider pulling more out of your retirement account. Or use the extra time to consider converting some funds to a Roth IRA.*

▶ Contribute to a traditional IRA at any age

While taxpayers have always been able to contribute to a Roth IRA at any age, 70½ was the cut-off for making contributions to a traditional IRA. You can now contribute to a traditional IRA at any age provided you have earned income.

***Action:** This is a great opportunity for retirees working part time to consider building their retirement nest egg.*

▶ Certain part-time workers can now contribute to 401(k) plans

Most part-time workers have never been eligible to participate in an employer's 401(k) plan. The law now mandates employers who maintain a 401(k) plan to offer one to employees who worked more than 1,000 hours in one year, or 500 hours over 3 consecutive years.

***Action:** If interested in participating, contact your employer to determine if and when this option might be added to your company's retirement savings plan*

▶ Use retirement funds to offset the costs of a new birth or adoption

Each parent can withdraw $5,000 out of their retirement account without the 10% penalty. The distribution, however, must still be reported as taxable income. The distribution can be repaid as a rollover contribution to an eligible defined contribution plan or IRA.

***Action:** If considering this alternative, make sure the withdrawal is within one year of the birth or adoption. Also retain records to prove the withdrawal is for a qualified event, since how this is going to be administered is still up in the air.*

Retirement planning is often put off by most of us. If nothing else, these rule changes are a reminder that now is a great time to look at how you plan for retirement, while making the best use of tax benefits along the way. ♦

IRSUPDATE

Direct deposit is the quickest way to receive refunds

The IRS is reminding taxpayers that direct deposits are the quickest way to receive their tax refund. Taxpayers can also get refunds deposited into one, two or three different accounts.

Direct deposits also save money for taxpayers – each paper refund issued costs $1 compared to 10 cents for each direct deposit.

IRS warns of new version of Social Security Number scam

The IRS is warning taxpayers about a new twist on scams relating to Social Security numbers, where scammers call taxpayers and claim to be able to suspend or cancel a person's Social Security number. If a taxpayer receives this type of a call, the IRS says to just hang up.

Also remember the IRS will never call a taxpayer to demand an immediate payment. The IRS will also never initiate contact with taxpayers using e-mail, text messages or social media.

First-quarter IRS interest rates remain the same

Interest rates for the first quarter in 2020 will remain the same compared to last quarter. These rates include: 5% for overpayments (4% for corporations); 2.5% for the portion the portion of a corporate overpayment over $10,000; 5% for underpayments and 7% for large corporation underpayments. ♦

Watch out for auto enrollment

The government thinks you should be saving more for retirement. New laws allow a greater portion of your paycheck to be automatically transferred to an employer's retirement plan. The maximum contribution that can now be automatically deferred into your 401(k) account increases from 10% to 15%.

ACTION *While saving more for retirement is a great idea, this automatic participation does not account for your particular situation. Be aware of this law and independently determine what you can afford to put towards retirement. Remember, you also need to build an emergency fund and pay your bills!*

Avoid misclassification: Understand independent contractor rules

The best way to avoid misclassifying workers is to understand the defining characteristics of independent contractors — and then treat them as such. Use this infographic to help you identify independent contractors and understand how they are different from employees.

157+ million Americans are part of the U.S. workforce

57.3 million people freelanced in 2019

1 in 5 jobs is a contracting position in the U.S.

Independent contractors checklist

Use this list to help determine if you or the person who does work for your business should be considered an independent contractor.

- Pays self-employment taxes (Social Security and Medicare).
- Controls when, how and where the work is done.
- Negotiates rates on a per-job basis.
- Uses own tools and equipment to perform the work.
- Does not receive overtime pay.
- Works on a profit/loss basis.
- Does not receive employee benefits.
- Is trained in their profession.
- Can work with many employers at a time (different clients).

Defining an independent contractor

The IRS says an individual is an independent contractor if the payer (employer) has the right to control or direct only the result of the work, not what will be done and how it will be done.

Unlike independent contractors, employees are covered by various employment laws, including:

- Fair Labor Standards Act (FLSA)
- Family and Medical Leave Act (FMLA)
- Occupational Safety and Health Act (OSHA)
- Americans with Disabilities Act (ADA)
- Unemployment compensation
- Workers compensation

New W-4 is creating questions for human resources

With the major Form W-4 overhaul for 2020, you may field questions from your employees. While it's not your responsibility to provide tax advice to your employees, it's good to be prepared to help answer common questions about the new IRS form. Here is a summary of the W-4 changes and answers to some common questions you might encounter:

The change

Form W-4 was changed by the IRS in an attempt to make payroll withholdings more accurate and easier for employees to understand following the implementation of the Tax Cuts and Jobs Act. The new Form W-4 eliminates the sometimes confusing allowance system, replacing it with targeted questions, worksheets and fields for dependents, other income and anticipated deductions.

Gone are days of simply increasing or decreasing allowances to get the proper withholding — making a change now requires some tax forecasting.

5 common questions about the new Form W-4

1. Do I have to submit a new form?

No. The allowances an employee has on a previous Form W-4 will continue to calculate appropriately in 2020. If changing jobs or an employee wishes to adjust withholdings, completing the new W-4 is required.

2. Are ALL steps on the new W-4 required to be filled?

No. Step 1 (personal information) and step 5 (your signature) are the only required sections to complete. If your employee only completes steps 1 and 5, a withholding will be calculated under the assumption that he/she is only taking the standard deduction. If your employee has dependents or wishes to make other withholding adjustments they will need to fill out other steps in the form.

3. Do employees have to complete all the worksheets?

No. However the worksheets are intended to provide a more accurate withholding amount. If an employee has multiple jobs or itemizes deductions, the worksheets will help the payroll department withhold the proper amount from a paycheck while accounting for these other factors.

4. Will completing the new W-4 affect refunds?

If an employee has the exact same tax situation (income, deductions and credits) in 2020 as they did in 2019, the tax calculation should have minimal impact on the tax refunded or owed. If there is a need to adjust withholdings at any time during 2020, however, the anticipated refund might look a lot different if an employee does not take the time to carefully complete the new Form W-4.

5. Should an employee adjust their withholdings?

This, of course, is up to the employee. It is best to coach them to speak to their tax advisor. But let them know that it really depends on them. If they want to maximize monthly cash flow or wish to receive a larger refund, then they need to go through the W-4 exercise. While more complicated, per the IRS this new form allows for less guessing when it comes to forecasting their April tax bill. A simple tax forecast that factors in last year's tax situation and accounts for changes in the current year will provide clarity to the amount that needs to be withheld.

Remember, to avoid an underpayment tax penalty an employee must withhold 100% of last years tax bill or 90% of this year's tax bill. This moves to 110% of last year's bill if income is over $150,000 ($75,000 if married filing separate). Finally, coach your employees to double check their paycheck after any change, it is never fun to be surprised by a big tax bill because withholdings are too low. ♦

Your Tax Calendar

March 2

- ☐ Farmers and fishermen who did not make 2019 estimated tax payments must file 2019 tax returns and pay taxes in full.

March 2

- ☐ Due date for employers and health care providers to provide Forms 1095-B and 1095-C to individuals.

March 16

- ☐ 2019 calendar-year S corporation income tax returns are due.
- ☐ 2019 partnership returns are due.
- ☐ Deadline for calendar-year corporations to elect S corporation status for 2020.

April 15

- ☐ Individual income tax returns for 2019 are due.
- ☐ 2019 calendar-year C corporation income tax returns are due.
- ☐ 2019 annual gift tax returns are due.
- ☐ Deadline for making 2019 IRA and HSA contributions.
- ☐ First installment of 2020 individual estimated tax is due.

May 15

- ☐ 2019 calendar-year non-profit organization annual reporting returns are due.

BENDER, CICCOTTO & CO.
Certified Public Accountants, LLP

206 New Highway, Amityville, NY 11701

ADDRESS SERVICE REQUESTED

PRSRT STD
US POSTAGE PAID
BABYLON NY
PERMIT NO. 112

CLIENTUPDATE
PRACTICAL TAX & FINANCIAL ADVICE

Must-have documents for tax season

It's easy to get inundated with documents during tax season. You can receive documents from many different organizations, including employers, financial institutions and others. Many documents are now also being sent via e-mail, which increases the likelihood it could get lost in your inbox.

As tax season is quickly approaching, here are some of the documents to be on the lookout for:

W-2s

While W-2s are the most widespread and well-known tax form, it can be easy to lose track of W-2s if you or your spouse have multiple jobs. Keep track of each employer to ensure you receive the forms in time.

1099-INTs and 1099-DIVs

Most of us receive small interest or dividend payments throughout the year. These payments are reported on a Form 1099 and must be included on your Form 1040. Depending on the type of investments, there could be numerous 1099s to report this interest and dividend income. Make a list from last year's tax return to help keep track of these 1099s as they arrive via mail or e-mail.

1099-Rs

Form 1099-R is used when a distribution is made from a pension or retirement account. You could receive a 1099-R if your employer was part of a recent merger, and the company which was acquired rolled its retirement funds into the new company's plan. You could also receive a 1099-R if you get a new job and you roll your existing retirement funds into your new company's plan.

Form 1095

Different versions of Form 1095 are sent to you recapping your health insurance. While the penalty for not having proper health insurance is suspended for 2019, the form may still be important. So look for it and retain it with your other records.

Get Organized

You will also need any documents that confirm and support any deductions you plan to take. For instance, you may need documentation to claim deductions for day care expenses, educational expenses (form 1098-T), mortgage interest documentation (form 1098), proof of medical, dental and vision care, charitable contributions, business records, property taxes, state taxes and much more.

It is best to use last year's tax return PLUS a tax organizer to ensure you have all the proper records needed to accurately prepare your tax return. The organizer is especially helpful as there is a list of questions to help you jog your memory to recall certain events that have taken place over the past year that might have a tax consequence. If in doubt, save the documentation, proof of payment and any receipts! ♦