

THE SMALLBIZ BUILDER

Planning For Your Dreams



March 2017

PADGETT BUSINESS SERVICES®

Vol. 15, No. 3

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Tax Filing Penalties Are No Joke!

All corporations, regardless of income or expenses, must file a tax return (or extension of time to file) by the due date of the return or face a late filing penalty.

For C corporation returns (Form 1120), the late filing penalty is 5% of the amount due per month, up to a maximum of 25%, along with the interest rate of 0.5% on any tax not paid per month or part of a month, up to 25% of the amount due. The minimum penalty for returns over 60 days late has increased from \$135 to \$205 or the balance due on the return, whichever is less. These same penalties apply to S corporation returns (Form 1120-S) when there's a balance due with the return. The failure to file penalty for an S corporation return is \$195/month/shareholder for up to 12 months. The penalty is assessed against the corporation. However, S corps aren't subject to both failure to file penalties at the same time. It's important to file timely to avoid these penalties.

Beginning with 2016 returns, C corporations have an extra month to file as the return due date has changed from March 15th to **April 15th** (April 18th for 2016 returns). Fiscal-year C corporations must file by the 15th day of the **fourth** month following the close of the corporation's year. The deadline for S corporations (Form 1120-S) is still **March 15th**.

Not only has the due date for C corporations been changed, but also the due date for partnership returns. Partnership returns (Form 1065) will now be due on **March 15th**, instead of April 15th. For fiscal-year partnerships, the due date is now the 15th day of the **third** month following the close of the fiscal year. Partnership returns are also subject to a failure to file penalty of \$195/month/partner for up to 12 months. The penalty is assessed at the partnership level and can add up quickly!

If you're unable to file the returns mentioned above by their respective due dates, you can request an automatic six-month extension by filing Form 7004, *Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns*. The extended due date is **September 15th** for calendar-year S corporation and partnership returns and **October 15th** (October 16th for 2016 returns) for calendar-year C corporations. Remember, this is only an extension of time to file, not to pay! If there's a balance due with the return, the payment must be made by the original due date or late payment penalties will be assessed.

Don't risk missing a tax return deadline. The penalties are no joke, so come see us.

Payroll: Updating for the Current Year

Now that your company's W-2s and year-end reports have been completed and filed, it's time to make sure that you have all the correct information for the current payroll year. Have your employees fill out new W-4 forms for the year 2017. There's a good chance that some of your employees may have had significant personal or financial changes in their lives that might require the addition or reduction of exemptions or a change in filing status. Many of these changes may result in an adjustment to their tax liability even if there has been no change in income. These could include marriage, divorce, the birth or adoption of a child, the purchase or sale of a new home and retirement.

Avoiding Direct Deposit Woes

Direct deposit of your income tax refund makes a lot of sense - you'll get it quicker and it's often safer. There are several options for obtaining your refund, including splitting it via direct deposit into up to three checking or savings accounts, as well as Individual Retirement Arrangements, Health Savings Accounts, and Coverdell Education Savings Accounts. But take caution and verify routing and account numbers carefully! Although you can usually pick up the routing number for your checking account from the face of your checks, routing numbers for other types of accounts are not always apparent. The IRS assumes no responsibility for taxpayer or preparer error, so you should make sure your account and routing information is accurately entered. If you make a mistake and the financial institution rejects the deposit, the IRS will send you a check for that portion of the refund. But if you incorrectly enter an account or routing number belonging to others and the designated financial institutions accepts the deposits, your only option is to work directly with the financial institution to recover the funds.

Fate of the Affordable Care Act

On his first day in office, President Donald Trump signed an executive order paving the way for the eventual repeal of the Affordable Care Act (ACA). It directed "all executive departments and agencies with authorities and responsibilities under the Act to waive, defer, grant exemptions from, or delay the implementation of any provision or requirement of the Act that would impose a fiscal burden on any state or a cost, fee, tax, penalty, or regulatory burden on individuals, families, healthcare providers, health insurers, patients, recipients of healthcare services, purchasers of health insurance, or makers of medical devices, products, or medications."

On January 25th, Senator Rand Paul introduced the "Obamacare Replacement Act" which would remove parts of ACA, including the individual mandate and the requirement for minimum standards of care. It calls for provisions to allow insurers to sell across state lines, a \$5,000 tax credit that people can put toward an HSA, and would provide a two year window for people with pre-existing conditions to sign up for healthcare.

On January 31st, Senator Ted Cruz introduced the "Obamacare Repeal Act" which would repeal Obamacare entirely and restore or revive the provisions of law amended or repealed by those Acts as if those Acts hadn't been enacted.

On February 10th, Tom Price was confirmed as Secretary of Health and Human Services. As a huge advocate for "repeal and replace," we can expect to see movement from him on his 242-page replacement plan called "Empowering Patients First Act."

So what does this all mean? It means, as of now, ACA is still the law and you need to file your 2016 tax returns as the law stands. Do not wait to file! We don't anticipate legislation coming out of Washington to be retroactive to 2016 or require you to amend a previously filed 2016 return. Contact us to discuss your 2016 filing and get your questions answered about what you can expect for 2017!

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PADGETT BUSINESS SERVICES® is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter. **Planning For Your Dreams**