



CRAFT, NOBLE & COMPANY



Welcome to Craft, Noble and Company's e-news update. We hope that everyone is enjoying the summer weather. Here's the most current news for you to read over. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

Be sure to follow us on social media, we are on Facebook so give us a "Like" for more up-to-date news and information.

Likewise, if you know a friend or colleague who might be interested in receiving this e-newsletter, just click the "Forward to a Friend" button. Privacy and confidentiality is a hallmark of our business, so you can be assured your name or address will not be shared with anyone.

Major Upcoming Tax Deadlines

Payroll Tax Deposits- Employers must make their deposits for the Form 941 payroll taxes (federal income tax withheld and the employee and employers share of the social security taxes). These deposits should be made either monthly or semiweekly depending on your deposit schedule. Exceptions apply if you owe \$100,000 or more on any day during the deposit period, if you owe \$2,500 or less for the calendar quarter, or if you estimated annual liability is \$1,000 or less.

Monthly deposits- These deposits are required to be paid within a calendar month by the fifteenth of the following month.

Semiweekly deposits- These deposits are required to be paid on Wednesdays or Fridays, depending on when wages are paid.

For any questions you may have on these deadlines, contact our office.

Where is Your Tax Refund?

Your tax return is filed, and your direct deposit refund is...not the amount you were expecting, or not in your bank account at all. What should you do?

- If your refund is less than you anticipated, part of your refund may have been applied to other debt such as student loans or state income taxes. You'll get a notice in the mail from the IRS explaining the difference and providing the contact information for the agency to which the money was sent. Other reasons for a smaller than expected refund include math errors, misapplied estimated tax payments, and corrections to tax credits.
- If your refund is more than the amount on your tax return, wait before spending your unexpected windfall. The extra money could be due to an error caught by the IRS, which means you'll get a notice. If the adjustment is correct, the cash is yours to keep. If the adjustment is wrong, the overpayment could be the result of a mistake on someone else's tax return, such as an incorrect bank routing or account number. In that case, you'll need to contact your bank and the IRS to return the money to the rightful owner.
- If your refund is delayed or missing, verify the direct deposit information on your return for errors. Generally, when your bank is unable to match the account number, the refund is rejected, and the IRS issues a paper check. What if your direct deposit went into someone else's bank account? Notify your bank immediately. You'll have to work with your financial institution - not the IRS - to trace the funds and get your money.

Do you have other questions about your refund? Contact our office. We're here to help.

You may need to amend your estimated tax payments

If you're a calendar year taxpayer, the due date for the second installment of 2016 federal estimated income taxes was June 15. Now's the time to determine whether the amount you calculated back in April will be enough to avoid penalties. Why not wait until the end of the year to make adjustments? Because estimated tax payments are generally due quarterly, and penalties are assessed on amounts that are unpaid for each quarter.

Reasons to amend your estimates include changes in your income, adjustments, deductions, credits, or exemptions. Your goal is to pay enough estimated tax between now and the end of the year to avoid underpayment penalties, but not so much that you have a large refund on next year's federal income tax return.

To avoid penalties your estimated tax payments must typically be 90% of the tax for the current year or 100% of the tax shown on the return for the prior year, whichever is smaller. Should you want to revise your estimates gives us a call so we can help you avoid these penalties and interest.

Do you need to make estimated tax payments?

If most of your taxable income is from wages, the tax withheld from your paychecks is probably enough to cover what you'll owe on your federal return. However, if you have income from sources not subject to withholding, you'll generally have to make up any shortfall by paying quarterly tax estimates. For example, if you have recently switched from working as an employee to owning a business, you may need to make estimates to account for both the FICA and withholding portion of your taxes.

Another reason you may need to make estimates: Acquiring income-producing property. If the property provides enough extra income, quarterly estimates may be necessary even though taxes are being withheld from your wages, pensions, or retirement plan withdrawals.

Be aware that if you are supposed to make estimates and don't, the result may be a penalty plus interest. Here are the rules.

- **General rule.** You'll generally need to make estimates if your withholding is less than 90% of your tax liability. There are exceptions, such as the "safe harbor" rules.
- **Safe harbor rules.** When your adjusted gross income (AGI) is \$150,000 or less, you can avoid underpayment penalties if you pay in 100% of last year's tax liability. If your adjusted gross income was more than \$150,000 for 2015, during 2016 you generally have to pay 110% of the tax shown on your 2015 return. There's no penalty if your underpayment is less than \$1,000. Special rules apply to farmers and fishermen.
- **Due dates.** The first quarterly payment for 2016 was due on April 18. The second payment was due on June 15. The third payment is due September 15. The final 2016 payment is due on January 16, 2017.

If you have a significant change in your income, take time now to review your estimated payments. Contact us with any questions.

Recent College Graduate? Consider part-year withholding to hike your take home pay

Use part-year withholding to hike take-home pay by having less tax withheld. The standard federal tax withholding tables assume you are working for the full year when figuring how much income tax to take out. The part-year method sets withholding according to what you'll actually earn during the portion of the year that you work. Employees working less than 245 days in a year can ask firms to use this method.

New Business: Will the updated overtime pay rules affect your business?

The Department of Labor released updated overtime pay regulations in May, and businesses are required to comply with the new rules by December 1, 2016. Are you ready?

Under overtime rules, workers who meet certain requirements and who earn more than a specified salary "threshold" generally don't qualify for overtime pay. The final rules increase the salary threshold, meaning you may need to pay overtime wages to employees who work more than 40 hours per week and earn less than the new amount.

The new initial threshold, effective December 1, 2016, is \$913 per week, or \$47,476 per year. That amount will be updated every three years, beginning in 2020. The rules say nondiscretionary bonuses and incentive payments can count toward as much as 10% of the threshold.

Now is the time to start reviewing your business's salary levels and payroll practices. Contact us for assistance.

Sending your child to day camp may qualify you for a tax credit

If you send your child to any special day camps this summer, such as those for sports, computers, math or theater, don't forget to take the tax break. The same goes for camps your child is attending this summer that focus on improving reading or study skills. But the costs of summer school and tutoring programs aren't eligible for the credit. Neither are overnight camps. The other rules for the tax credit also must be satisfied. The child must be under 13, and expenses must be incurred so the parents can work.

IRS Interest Rates Rises for the First Time Since 2011

When you underpay tax on your personal or business return, you'll owe interest on the shortage. The interest accrues from the date the tax was due until you actually pay it. For example, say you requested an extension of time to file your personal return until October 17, and paid what you thought you owed with the extension. When you complete your return, you discover more tax is due. Generally, you'll be charged interest from the due date of your return until you remit the additional balance.

When you overpay your taxes and do not receive a timely refund, the IRS is required to pay interest to you. In general, "timely" means a 45-day processing period applies before your refund will earn interest.

The IRS publishes the interest rates for underpayments and overpayments of tax each quarter. Here are the rates in effect as of April 1, 2016.

- 4% for overpayments (3% in the case of a corporation)
- 1.5% for the portion of a corporate overpayment exceeding \$10,000;
- 4% for underpayments; and
- 6% for large corporate underpayments (those exceeding \$10,000).