Monthly Newsletter

August 2017

Illinois income tax increase

Effective July 1, 2017 Illinois income tax rates increase as follows:

- For individuals, trusts and estates – from 3.75% to 4.95%
- For corporations (excluding S corporations) – from 5.25% to 7.0%

Illinois estimates for September and January – if you are scheduled to pay Illinois estimates in September and January, then increase your estimates by 33% (if your estimates were $600 per quarter, then increase your payment to $800, for example).

Form 1099 – will I be required to file?

The summer is a good time to review your payments during the first part of the year and determine if you have collected the necessary data to issue Form 1099 in January (1099’s must be issued to the recipients by January 31st each year).

If, as part of your trade or business, you made any of the following types of payments, then you are required to issue a Form 1099.

- Payments, in the course of your trade or business:
  - Services performed by independent contractors or others of $600 or more (not employees of your business). This includes individuals and most LLC’s. This does not include corporations or LLC’s that have elected to be taxed as a corporation.
  - Rent of $600 or more.
  - Royalties of $10 or more.
  - Payment to an attorney of $600 or more.
• Interest on a business debt to someone (excluding interest on an obligation issued by an individual).

• Dividends or other distributions to a company shareholder.

• Distribution from a retirement or profit plan or from an IRA or insurance contract (if not issued by the investment company directly).

For any applicable payments, the recipient should complete a Form W-9 – Request for Taxpayer Identification Number and Certification. You can find the form on www.irs.gov or follow this link: http://www.irs.gov/pub/irs-pdf/fw9.pdf

It is best to obtain this information before making your first payment to ensure you have all of the necessary information.

Our office can prepare the forms on your behalf. Please contact us if you need assistance and we can guide you through the process.

**Your HSA as a retirement tool – the facts**

Health Savings Accounts (HSAs) are a great way to pay for medical expenses, and since unused funds roll over from year to year, the account can also provide a source of retirement funds in addition to other plans like 401(k)s or IRAs. But be aware of how HSAs compare to other retirement investment tools.

• HSAs work best when they are used to pay for qualified medical expenses. Neither your original contributions to an HSA nor your investment earnings are taxed when used this way.

• There is no required minimum distribution after you reach age 70½, like there is with 401(k)s and IRAs.

• You can only contribute to an HSA if you have a high deductible health insurance plan. The downside of these plans is that you pay more out of pocket each year when you need to use health services.

• Annual contributions to HSAs are limited to $3,400 a year for individuals and $6,750 a year for families (add $1,000 for people aged 55 or older).

• HSAs typically have fewer investment options compared with other investment tools including 401(k)s and IRAs. They also often have high management and administrative fees.

• Before you reach age 65, non-medical withdrawals from HSAs come with a whopping 20 percent penalty, plus they are taxed as income.
• Even after age 65, both contributions and earnings are taxed when they are withdrawn for non-medical expenses. In this way, HSAs compare unfavorably with 401(k)s and IRAs, which end their early withdrawal period earlier, at age 59½. They also have lower early withdrawal penalties of just 10 percent.

HSAs are a powerful tool to help manage the ever-rising costs of health care. Knowing the rules and the costs associated with them can help you position an HSA with your other retirement options.

Learn from the ‘best places to work’

Google, Facebook, and Southwest Airlines are among the top five companies on job search site Indeed’s "Best Places to Work 2017" list. You may not have the resources of these large companies, but you can incorporate some of their ideas into your company's culture.

Respect. The best companies cultivate a culture of respect, according to a poll conducted by the Society for Human Resource Management. Employees say they feel valued by their leaders and their coworkers regardless of their background, ethnicity, religion, sexual orientation, or gender.

Opportunities for growth. Leaders at the best companies evaluate staff regularly and look for ways to challenge them in new areas.

Communication is key. At the best companies, leaders and staff talk constantly. The organization regularly seeks feedback about its culture, practices, and operational challenges. Leaders are accessible and open to discussion about business problems and successes.

Clear goals. The best companies openly state well-defined objectives and the steps required to achieve them, according to Fortune magazine.

Accountability. The best companies make sure workers are confident they'll be rewarded for performance and held responsible for achieving their objectives.

Bottom line: When you treat your employees with respect and keep challenging them, they're less likely to leave for greener pastures.

Have adult children? Take steps to avoid medical access denial

Imagine your college-aged daughter has an accident while away at school and ends up in the emergency room. When you call the hospital, you are denied information about her care because you do not have the proper forms signed. Under the Health Insurance Portability and Accountability Act (HIPAA), you do not have legal access to your child's health information after they reach age 18, even if your child is still your dependent and
their health insurance coverage is in your name. To avoid this administrative nightmare, take the following steps.

1. Make sure your **health insurance coverage** will cover your child at his or her new campus home.

2. Have your son or daughter sign a **HIPAA authorization form** allowing you access to their medical information.

3. Create a **multipurpose medical power of attorney authorization**, which will not only give you authorization to help make medical decisions, it can also include an advance directive or living will.

4. Scan two copies of these documents – one for you and one for your child – and keep them in a secure place along with a copy of your student’s insurance card.

**IRS pilot program for correspondence exams**

The Internal Revenue Service is pilot testing a new program for conducting correspondence examinations of taxpayers using secure messaging technology that will also include their tax practitioners who have power of attorney.

The IRS said it plans to invite approximately 8,000 taxpayers who are undergoing correspondence examinations to communicate with the agency via the new secure messaging technology. The pilot program, known as IRS Taxpayer Digital Communications (TDC) Secure Messaging, has already begun for correspondence examinations involving Schedule A and has now expanded to include several other issues.

The pilot program is by invitation only, the IRS noted. Taxpayers and their tax professionals who have valid powers of attorney can participate, but only if the client receives a marketing insert or letter saying they are eligible.

If you receive a notice from the IRS, or any other agency, please send it to our office so we can assist you.