

In This Issue

[Newsworthy for December](#)

[Reporting Medical Insurance Premiums on W-2 Forms](#)

[The Latest IRS Warning - False Tax Notices](#)

[Form 1099-MISC & Form W-9](#)

[Holiday Closure](#)

Newsletter

Below please find important end-of-year information as well as 2017 tax planning tips.

Newsworthy for December 2016

If you own an IRA, SEP, 401(k) or other qualified tax deferred account and you have already started taking your yearly Required Minimum Distribution (RMD), be sure to take your 2016 RMD by December 31st. You should contact your investment advisor or bank before 12/31/16 if this applies to you to be sure you are taking the proper distribution(s).

As a reminder, the new Fair Labor Standards Act (FLSA) overtime rule went into effect on December 1, 2016. To summarize, this rule increases the salary at which an employee can receive overtime pay. Prior to 12/1/16, a salaried employee who received an annual salary of \$23,660 or less has to be paid for overtime. The new rule states that a salaried employee who receives an annual salary of \$47,476 or less has to be paid overtime.

For Highly Compensated Employees, the salary rule changed from \$100,000 to \$134,004. A Highly Compensated Employee is someone who owns 5% or more of the business, or is paid in the top 20% of the employees.

For more information, please refer to:

<https://www.dol.gov/whd/overtime/final2016/overtime-factsheet.pdf>

Reporting Medical Insurance Premiums on W-2 Forms

If you are a more than 2% shareholder-employee of an S-Corporation, the IRS requires that any health and accident insurance premiums paid by the company on your behalf be reported on your W-2 form. This amount is subject to income tax but not social security and Medicare taxes. Therefore, it will be included in Box 1 wages but not in Boxes 3 & 5. Although the premiums are subject to income taxes, you typically would be eligible for a deduction on the personal income tax return which will remove this amount from taxable income. Therefore, income taxes ultimately will not be paid on this amount. Please note, if the shareholder or the shareholder's spouse was eligible to participate in any subsidized health care plan, then the shareholder is not entitled to the deduction on the tax return.

If we process your payroll, we will contact you for this amount when we process your final payroll for the year. If we do not process your payroll, please be sure to contact your payroll processing company with this information before December 31st.

The Latest IRS Warning - False Tax Notices

The IRS is warning of another scam where fraudsters are sending out false CP2000 tax notices via email. The fake notice or bill indicates taxes are owed under the Affordable Care Act (ACA). Please DO NOT open the attachment if you receive one of these emails.

And as a reminder the IRS does not initiate contact with taxpayers via email or social media.

Form 1099-MISC & Form W-9

Now is a good time to start getting organized for any 1099-Miscellaneous forms that you may need to file for this 2016 tax year. This form needs to be filed by any business who pays an individual (non-employee) during the year:

- at least \$600 in services (including parts & materials)
- gross proceeds of \$600 or more paid to an attorney during the year (including partnerships or corporations)
- at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest
- at least \$600 in rents, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish/aquatic life you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate
- withheld any federal income tax under the backup withholding rules regardless of the amount of the payment

Copy B of Form 1099-MISC needs to be provided to the individual by February 1, 2017. Copy A of Form 1099-MISC must be submitted with Form 1096 to the IRS by February 28, 2017.

Be sure to request a completed Form W-9 from anyone for whom you will need to file Form 1099-MISC. You should always have the individual complete Form W-9 before they start doing any work for you. At the very least, it is your responsibility to request Form W-9 from the individual in writing before December 31st. If they do not provide you with a signed W-9 form or a substitute from showing their TIN (Taxpayer Identification Number), you are required to withhold and submit 28% of their payment to the IRS as backup withholding. Very often, an individual who had not provided you with their TIN, will do so quickly when they only receive 72% of their payment from you.

For more information, visit <https://www.irs.gov/pub/irs-pdf/fw9.pdf>

Holiday Closure

Please note our office will be closed December 23rd - 30th, and we will reopen Monday, January 2, 2017.

From our families to yours, we wish you Happy Holidays and a safe, healthy and Happy New Year!
