



NOLAN | GIERE

CERTIFIED PUBLIC ACCOUNTANTS

Are you at risk of an audit?

According to recent statistics, budget cuts, staff attrition, and a heavy workload for IRS employees mean your chances of undergoing a tax audit are less than 1%. Does that sound like a non-event to you? Do not be lured into a false sense of security. The statistic is a blended rate covering many types of incomes and taxpayers. Here are some of the reasons returns were audited.

- **No adjusted gross income (AGI).** For AGI of zero, audit risk jumped to over 5%. The IRS benchmarks AGI because it is total income including losses from businesses and investments.
- **Large adjusted gross income.** Audit risk was nearly 2% for returns with AGI over \$200K. Audit risk climbed to 16% when AGI was over \$10 million.
- **International returns.** Due to a focus on offshore tax evasion, the audit rate of international returns was almost 5%.
- **Estate taxes.** Approximately 8.5% of estate returns were audited. Gross estates of \$10 million or more were tagged with a 27% audit risk.
- **Corporate returns.** Small corporations experienced up to a 2% audit risk. The risk for large corporations with assets over \$20 billion was 85%.

Be aware that even if you do not fit into any of these categories, your return may still be selected for audit. That is one reason it is essential to keep good records to support all deductions and credits you claim on your tax return for at least three years after filing. Examples of required recordkeeping include:

- When you deduct expenses for meals and entertainment, the written evidence must show who was in attendance and what business was discussed.
- A home office deduction must be supported by evidence showing your home office is used regularly and exclusively as the principal place of business.
- Certain non-business property that you gift, donate, or intend to distribute through your estate requires an appraisal.

Contact us for more information about tax audit issues.

Avoid penalties by keeping accurate information return records

Did you file all required information returns for 2015 and earlier years? Information returns include Forms 1099, the forms you complete when you pay for certain business expenses such as rent or services performed by an independent contractor. August is a good time to review your filing compliance because this is the time of year the IRS typically begins sending notices for prior year information returns with missing and incorrect taxpayer identification numbers, and the penalties for errors continue to rise.

If you get a notice, you may be able to get penalties waived by proving you acted in a responsible manner before and after the error. One way to do this is to document your request for a taxpayer identification number from the vendor or other payee. You may also need to begin withholding income tax known as backup withholding from payments. Contact us for more information.

Quarterly Report

Summer 2016

Perspective

An Inside View

Dear Clients and Friends:

During a recent browse of Facebook I came across the following post (Film Dayton, August 3, 2016 [blog]) “Next time you’re afraid to share ideas, remember that someone once said in a meeting, let’s make a film with a tornado full of sharks!” While the reference to the 2013 science fiction movie *Sharknado* and its three sequels made me chuckle, the message made me pause and think.

The message made me think about ideas and how important it is for them to have an outlet and the role that outlet plays in creativity. All of us have unique talents and ideas of our own, but only some among us seem to be recognized as creative or as having creative ideas. What’s the difference? Perhaps those who seem creative have just given themselves permission to be so—permission to overcome the fear of ridicule, rejection, and failure that many times is associated with new ideas. Unfortunately my hunch is that many of us don’t grant ourselves that permission and many of our ideas never see the light of day.

What about you? Do you give yourself permission to express your ideas? To share them and to discuss them openly? What about your Company or organization? Do you encourage new ideas and the creativity that it fosters? Are new ideas given adequate time and attention to develop or are they brushed aside if they sound farfetched? Do you reward new ideas or are your systems designed to primarily recognize adherence to the recipe or the model already in place?

Many times our discussions with clients focus on the things they have done in their business and financial lives. As accountants we are asked to measure the rewards of good ideas but unfortunately also to quantify the cost of ideas that turned out to be not so good. While this is definitely a worthwhile endeavor, it would also be wise for all of us to spend some time thinking about the “cost” of a *great* idea that was never given permission to be born. It may be more frightening than a *Sharknado*! Enjoy the rest of the summer and fall!

Sincerely,

Tom

Tom Giere



Plan for the fate of your digital assets

An important step in estate planning is creating an inventory of your assets. Your executor – the person you designate in your will to carry out your last wishes – uses the inventory to make sure all of your property passes to your heirs. That includes your digital assets. Documenting these along with more traditional effects can help ensure your final wishes are honored and your estate is administered correctly. Here is what to keep in mind as you compile a list of your digital assets.

Passwords. In order to review financial accounts with banks, brokerages, or other businesses, your executor will need your current password. If you protect passwords with an encrypted program, include the master access key. Most importantly, keep your list updated when you change passwords.

Be comprehensive. Add web addresses, user names, and passwords for non-financial accounts such as your email and online storage sites to your inventory. Why? These accounts can be essential for retrieving invoices, statements, and other paperwork for which you have chosen electronic only delivery.

Remember the non-digital. The physical assets you use to access your digital data include your phone, tablet, and computer. For these assets, your executor will need passwords and file names. Also list the location and encryption information for off-site or standalone storage devices such as flash or other external drives.

Individual states are moving toward adopting laws that allow your estate representative to manage your digital assets. If your state has not yet taken steps to address the issue, you may be able to add wording to your will or have your attorney prepare an authorization for release of the information. In either case, keeping track of your online financial activity can make assembling an inventory of your digital assets a simple process. Please contact us for more information and tips.

Business Solutions

Follow these steps to a comfortable retirement

Planning can help you achieve a comfortable retirement. Here are five suggestions to consider.

1. Start a retirement savings program as early as possible and contribute regularly. Your nest egg will become larger the more consistently you contribute. Regular, reasonable deposits wisely invested will easily outgrow sporadic and insignificant contributions.
2. Invest in tax-deferred accounts to the greatest extent possible. If your employer offers a tax-deferred plan, such as a 401(k), contribute as much as you can, particularly if the plan provides matching funds. Investigate individual options, such as IRAs, for additional planning opportunities, as well. Tax-deferred accounts are not reduced by taxes and will grow and compound at a faster rate. Other advantages include the ability to control your withdrawal rate and the amount of any accompanying tax, and the opportunity to postpone recognition of taxable income until retirement.
3. Establish an investment plan as early as possible. Then follow your plan consistently, revising only enough to keep matters on course, correct for deviations, and respond to unexpected events.
4. Track your portfolio and rebalance as needed. Maintain a balance among growth, income, and short-term investments, and adjust the ratios as you age. The standard rules of thumb: When you are under forty, consider investing more heavily in moderately aggressive growth vehicles. In your forties and fifties, you might want to become more conservative, shifting your balance toward income-generating investments such as high-dividend stocks.
5. Once you are retired, plan withdrawals so your funds will last the rest of your life. Postpone withdrawals as long as possible, and pay them out carefully. Calculate a workable percentage to withdraw from your portfolio on an annual basis. Assume your funds will need to last at least thirty years. Continue to revisit your investments each year to monitor and rebalance as needed.

A successful retirement plan requires forethought, discipline, and monitoring. Wherever you are in the process, we are here to help.

Will you be ready for the new overtime pay rules?

In May, the Department of Labor updated the rules for paying overtime. Under the new rules, salaried employees who earn less than \$913 per week (\$47,476 per year) will be eligible for overtime pay. That is double the annual exempt amount of \$23,660 from previous rules. In addition, the total annual pay for an exempt highly compensated employee is \$134,004 (up from \$100,000 previously). These amounts will be updated automatically every three years beginning in 2020.

The changes take effect December 1, 2016, which means you need to begin reviewing your payroll now, as penalties and fines can be assessed for noncompliance. One important step is to begin tracking hours for your salaried employees. You will also want to review your payroll practices so you can determine the best options for your business as you get ready to implement the new rules.

IRS grants more time to benefit from this tax credit

When you hire workers from specified groups that typically experience high unemployment, you may qualify for a tax break known as the Work Opportunity Tax Credit. You typically have 28 days after the worker's first day to complete paperwork for this federal income tax credit. However, for certain workers hired between January 1, 2015, and August 31, 2016, the 28-day rule has been extended until September 28, 2016. The extended date gives you an opportunity to review personnel files for credit-eligible employees. Contact us to learn how the credit can help save tax dollars.

Easy ways to ruin your credit score

Investor Warren Buffet once said, "It takes 20 years to build a reputation and five minutes to ruin it." The same maxim applies to good credit. Stellar credit scores do not happen overnight or by accident. Instead, you have to exercise financial discipline, sometimes for years. The reward: lenders who are willing to offer mortgages and car loans at favorable interest rates.

Unfortunately, like a good reputation, a strong credit score can easily be ruined. Here are three simple ways to devastate your credit score.

- Max out your credit cards and continually fail to make required payments. Your credit score is a number, generally between 300 and 850 (worst to best), that lenders use when deciding whether to extend credit. About 35% of your credit score is based on your payment history. Paying late or paying less than required minimums can wreak havoc on your score and may signal to lenders, you are overextended.
- Cosign a loan for an irresponsible friend. There is a reason your pal needs a cosigner – and it is not due to being a good credit risk. When you cosign for a loan, the status of the loan will appear on your credit report. Adding insult to injury, if your friend defaults, you are responsible for the unpaid balance.
- Close or open credit card accounts in quick succession. Either move can adversely affect the ratio of how much you owe in relation to your credit limits. As this ratio climbs, your credit score will tend to sink. Say, for example, you have three credit cards and each has a \$1,000 limit. You carry a balance of \$500 on one of those accounts. That is a credit utilization ratio of \$500 to \$3,000 or about 17%. If you close one of the accounts, the ratio will jump to 25% (\$500/\$2,000). Though you have not accumulated more debt, your credit score may be hurt.

Be careful with your credit. Negative events can impact your rating for a long time, making lenders reluctant to offer you money.

Firm Highlights



Nick Nolan

After a nearly 40 year career in Troy, Nick Nolan has decided to retire. Nick came to Troy in 1977 and will officially begin his retirement on October 1st. Over the years Nick has provided thoughtful guidance to many of us here at Nolan, Giere and valuable insight and service to countless clients of the firm. We wish Nick well as he begins this new chapter in his life.

Please help us congratulate Derek Koester on a big year. So far he has passed the CPA exam, was promoted to supervisor, and tied the knot. Derek has been employed as a staff accountant with Nolan Giere & Company since 2013. He is a 2015 graduate of Wright State University with a Master's Degree in Accountancy and in March of this year, Derek received his CPA certification. In May he was promoted to supervisor and in July he married longtime girlfriend, Bethany Kramer.

Below is a picture of the staff celebrating with Derek and his new bride Bethany at their wedding.



As the summer season winds down please enjoy the last long weekend of festivities while having a safe and Happy Labor Day Weekend!

The office will return to our Monday thru Friday 8 a.m. - 5 p.m. schedule on Tuesday, September 6.



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