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Legal notices

At Purtil & Company, we believe our best client is a well-informed client, one who welcomes ideas and challenges us with ideas. Our strengths are in planning, strategies and actions where we can put our knowhow to work as opposed to the book-and-forms work favored by many accounting firms.

This newsletter is part of that information effort, but it's not the only part. *In addition to this, we want you to feel free to ask us anything. If it's a quick email, and doesn't require extensive research or effort on part, our policy is to absorb the cost internally.* That will also let us identify bigger opportunities as they emerge.

Advice

Any accounting, business or tax advice contained in this newsletter, including any attachments, links and enclosures, is not intended as a through, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, we would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

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How to handle an identity theft issue

We've all invested in virus protection software, personal and business firewalls and updated computer systems and software. You'd think that would make us secure. Right? Not if you're following the news these days. Identity theft once involved someone getting your essential personal information and hijacking your identity, creating bank loans, transferring money from a bank account, applying for credit cards, even purchasing real estate. While that's still possible, financial institutions have improved their application procedures and the amount of it is in decline.

There remains a big fraud risk: fake tax returns because it requires minimal stolen information. The crook only needs your social security number (SSN) and full name.

When data thieves got into the Anthem Blue Cross system, they downloaded a list of SSNs and taxpayer names. That's enough to create a lot of fake 1040 forms. They use a legitimate employer's information and a withholding amount that will generate a refund. This is entered into tax software, filed electronically and the refund arrives in about a week.

This has to happen early in the tax "season" because once a SSN has been used for a tax return, it can't be reused in the same year. *So right now, these crooks are in hibernation until next January, but you shouldn't be.*

If you learn or suspect that your ID was involved in a data breach, take these steps:

1. File IRS form 14039. You'll receive an Identity Protection PIN (IP PIN). [Click here.](#) You'll use the IP PIN for all communications until the IRS gets a better system in place.
2. Even if someone obtains your SSN, no tax returns can be filed without the IP PIN so guard it carefully.
3. Don't respond to any phone or email correspondence from the IRS. The IRS **only** uses postal mail.
4. Pull a copy of your credit reports: Equifax, TransUnion and Experian. [Click here.](#)
5. Consider using a [credit freeze](#), which blocks access to vital credit information.

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Purchasing business equipment

Business owners have had considerable flexibility in handling purchases of business equipment such as computers, vehicles, furnishings, machines and even improvements to their working spaces. That's been changing in the last two years and as your advisors, we'll be helping you adapt to the new final regulations.

Collectively, we refer to these as *capital expenditures* and FYI, the following are some of the issues on the table:

- **Expense cutoff.** You can automatically deduct amounts up to \$500 per item or invoice. In addition, you elect a cutoff for these purchases up to \$5,000 per invoice or item. The \$5,000 amount now requires you to use the same cutoff for your published financial statements. This is a one-time election in the year you start doing it.
- **Building improvements for “small taxpayers.”** You may now deduct improvement - the costs of work performed on owned or leased buildings, such as repairs, maintenance, improvements or similar costs, up to certain limits. For this rule, a “small taxpayer” is one whose average annual gross receipts are less than \$10 million and that owns or leases building property costing less than \$1 million.

In this case, you can writeoff repairs, maintenance and improvements up to 2% of the building cost or \$10,000, whichever is less. You must make this election every year by attaching a statement to your income tax return for the year.

- **Types of expenditures.** The new regulations classify purchases as betterments, restorations, adaptations and routine maintenance. We'll work with you to get these properly classified in your books. For more information, [click here](#).

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Your personal ACA obligations for 2015

Well, despite all the political posturing, the Affordable Care Act (ACA) was a non-event for 2014. We ran into a very few people who hadn't made arrangements for health insurance and the few who didn't found that the penalty for non-compliance was cheap.

So what about 2015? Some important changes:

Penalty. For 2014, the *MONTHLY* penalty was only \$95 (or 1% of income, whichever was greater) if you chose not to purchase coverage. However, in 2015 the monthly penalty increases to \$325 for an individual (\$162.50 for children under 18) up to \$975 per family OR 2% of family earnings, whichever is greater.

Exemptions. You might be *completely* exempt from the penalty if:

1. Your 2015 income is too low for filing a tax return.
2. You have insurance for 9 months or more in 2015.
3. Coverage would cost more than 8% of household income.
4. You qualify for a *hardship exemption*, including foreclosure, utility shut-off notice, family death, property disaster, caring family member, ineligibility for coverage and the biggest: "other hardship."

Didn't get insurance?

If you missed the April 30, 2015 enrollment deadline, you're not shut out for the year. You have two options:

1. Get a supplemental or short-term insurance to cover you until Jan. 1, 2016. These plans include accident policies, cancer or specified disease coverage, critical care and recovery, dental coverage, vision care, and some types of hospitalization. Call us and we can refer you to a provider.
2. If you have a qualifying event, such as getting married, birth/ adoption, divorce, permanently moving to a new area that offers different health plan options, losing coverage due to a job loss or COBRA plan expiring, health plan being decertified, employer dropping coverage or becoming a citizen. In that case, you have 60 days to sign up for a policy.

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Employer ACA issues for 2015

We all know that some of the ACA requirements for businesses were postponed until 2015, and when we heard that, our ACA radar shut down. However, most of the business provisions remained in effect for 2014, including some potentially attractive tax credits. Let's simplify and summarize them.

- **Health premium credit.** If you pay more than 50% of your employees' health insurance premiums, you get a 50% tax credit. That's a big deal. However, this program *was written for low-wage companies* and has some convoluted rules. The rule of thumb is that if the *average* hourly wage is \$24 or less, you may qualify for the credit on the health insurance premiums paid for your employees. The owners and their relatives are excluded from the calculation. And, the credit is prorated when the average wage goes over \$12 and it disappears completely at \$24. If your average wage come close, give us a call.
- **Exchanges.** These become effective for 2014 and required for 2015. However, our experience is that your present provider will meet or beat anything you get on your state's exchange.
- **CO-OPs.** These will become more active in later 2014. Watch for them. We believe they will ramp up in the third quarter of 2014, attempting to gain market share from small companies that want to be ready for the requirement in 2015. If we're right, the market will become more competitive in favor of the employer. Contact us for referrals.
- **New hires.** You must provide a notice to any new hire about his or her obligation to obtain health insurance in 2014. For specifics, see our September 2013 newsletter at the [P&Co Website](#).

Other questions? Contact us. John@purtill.com

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Estimated tax payment reminder

If your situation calls for quarterly estimated tax payments, the second is due on or before Monday June 15th 2015. Here are a few fine points:

- If you can't find the payment voucher we sent you, contact [Gretchen](#) and she'll send you another. And if you think the amount isn't enough or is too little, we can change them.
- If you miss the date by a day or two, no problem, because the late fees are minimal and they're tax-deductible.
- If you prefer to split your payment into monthly amounts, no problem. Just copy the coupons.
- If your income is variable, contact [John](#). He can calculate a custom percentage to set aside for quarterly or monthly payment.
- Pay online. The IRS and most states have no-fee payment sites where you can generate a bank transfer. [Click here for more information.](#)
- Do you want us to make the payments for you? (With your money, not ours, of course.) Right now, we're offering this as a free service. What's in it for us? Less aggravation at tax time for you - and us. Contact [Gretchen](#) to set it up.

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Free tax payments online

In the past, you were required to establish an account with the tax authority and in many cases pay a service charge of up to 3% of your payment. Things have changed and in most cases you can pay on-the-fly without preregistration. There is no longer a service charge in any case we investigated. Here are the links:

IRS	http://www.irs.gov/Payments/Direct-Pay
CA	https://www.officialpayments.com/pay-california-taxes.jsp
CO	http://www.colorado.gov/cs/Satellite/Revenue-Main/XRM/1213954190538
CT	https://drsindtax.ct.gov/AUT/welcomeindividual.aspx
IL	https://www.officialpayments.com/pay-illinois-taxes.jsp
MA	https://wfb.dor.state.ma.us/webfile/wsi/public/webforms/payment/PayTax.aspx?pt=1ES
NJ	https://www1.state.nj.us/TYTR_RevTaxPortal/jsp/IndTaxLoginJsp.jsp
NY	http://www.tax.ny.gov/pay/ind/pay_your_income_tax.htm
WI	https://tap.revenue.wi.gov/services/#1

Note: The following websites only offer the option to pay by credit or debit card. Don't take it! You'll have to pay a steep "convenience" fee. That's like getting a tax increase!

PA	http://www.doreservices.state.pa.us/Individual/CreditCardPIT.htm
RI	http://www.tax.state.ri.us/misc/creditcard.php

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Contact list

You can contact any Purtil & Company employee by using the employee's first name and our company email location. So, for John, the email address would be john@purtil.com. Or, you can just click on the name below, which will open up your email editor.

John Purtil, CPA

Financial and tax planning, business software, business planning, IRS problems, family businesses, buying and selling businesses, AccountMate issues.

Olga Bubnova, CPA

Financial and tax planning, business software, tax returns, financial statements, client accounting, QuickBooks issues, law firms, not-for profit organizations.

Gretchen Fredericks

Work flow management, firm administration, client accounts, collections, AccountMate issues. Gretchen is the person to see if you've got a hot deadline or want to know where something is.

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