

**Jamie Duman**  
**Certified Public Accountant**

**Dear Business Clients,**

As we approach our 2017 tax season, we encourage you to use this letter as a checklist prior to submitting your 2017 business tax return for preparation. There are numerous proposed tax law changes but nothing is for certain at this time. It is not expected that any changes will take effect until next year. Once a tax bill is passed and we know the applicable changes, we will take a look to determine if there are any changes that should be made to your particular business practices.

Along with this letter, I have included a list of **Tax Return Information Needed** to help you gather information for your returns. If you have any questions, please give me a call at 208-762-5728.

**REMINDERS:**

**Section 179**

Section 179 which allows us to deduct up to 100% of the cost of equipment purchased during the year is still in effect. Let me know if you think this is an area you are interested in pursuing.

**Penalties for Not Filing Required Forms**

Once again, penalties for not filing Forms 1099 have increased to \$250 per individual form. Therefore, be sure to file your 1099s and send them to the recipients and the Federal Government by the January 31<sup>th</sup> deadline! If you need help completing your 1099 forms, please contact my office for assistance.

**S Corporations-Shareholder Health Insurance**

For 2017, the IRS will continue to impose penalties for noncompliance with health insurance reporting requirements, therefore, this is essential.

Prior to year-end, identify the health insurance premiums paid in 2017 relating to shareholders and dependents. If the S Corporation has paid the health insurance premiums directly, then no further cash outlay is required. However, if the S Corporation has not reimbursed the shareholder (i.e. shareholder has made the payments out of personal funds), then the S Corporation should issue a check to the shareholder by December 31, 2017.

**The health insurance premiums paid on behalf of the shareholder must be reported on the shareholder's 2017 Form W-2. The health insurance premiums need to be included in Box 1 (Wages), Box 14 (Other)-labeled with code DD and Box 16 (State Wages).**

As long as the S Corporation pays or reimburses health insurance premiums for the shareholder and includes them in Box 1 of Form W-2, then the shareholder qualifies for the self-employed health insurance deduction on the individual return.

If you use an outside payroll service, please provide the health insurance premiums paid proper Form W-2 reporting. **It is critical the correct amount be reported on Form W-2.**

I have enclosed a worksheet to assist in gathering the necessary information on the health insurance policy within the Company. Please complete the yellow worksheet and include it with the year-end information.

### **Health Care Reform**

As further implementation of healthcare reform takes effect, it has become important to consider the implications to your company. A good source for additional information is Kaiser Family Foundation at [kff.org](http://kff.org).

### **Personal Use of Business Vehicle**

As in the past, commuting miles between a taxpayer's home and work location (and other personal miles) are nondeductible mileage. A deduction for business mileage will be taken at 53 and one-half cents per mile.

For entity-owned vehicles, it is necessary to determine the portion of personal usage. In preparing the entity tax return, we will need to calculate the nondeductible personal auto use by the owners of the business. As a reminder, document the ending odometer reading at December 31, 2017, for vehicles that have been used for personal and business purposes. Please provide me the 2017 total mileage allocated between personal and business use.

In the event of an audit, the IRS will require mileage logs to support the business use.

### **Sales Tax Audit**

In general, sales/use tax must be paid on any item purchased that is not re-sold, including office supplies, equipment, online and out-of-state purchases. Sales tax should be charged on any items sold (not labor, if separately stated on the invoice) except for those customers for whom you have a valid exemption certificate on file. Make sure that sales tax returns are filed in all states in which you have an office, store, salespeople or other presence. (Some states contend that attending a trade show establishes presence).

As states continue to have budget deficits, this issue becomes extremely important.

### **Corporate Minutes**

I also want to remind you to make sure corporate minutes are being maintained on an annual basis—I do not maintain these forms for you. The corporate minutes should be maintained by the officers of the corporation. Corporate minutes only apply to corporations; LLC's do not have this requirement. However, some attorneys have suggested minutes be maintained by LLC's.

As long as the S Corporation pays or reimburses health insurance premiums for the shareholder and includes them in Box 1 of Form W-2, then the shareholder qualifies for the self-employed health insurance deduction on the individual return:

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**TAX RETURN INFORMATION NEEDED:**

At a minimum the following supporting documentation should be submitted:

1. If the bank accounts have been reconciled, please provide a reconciliation to the book balances as of December 31, 2017. If the accounts have not been reconciled, please provide copies of December 2017 bank statements for all checking/savings accounts (i.e. if your bank statement has a mid-month cutoff, then in addition provide us with the January 2018 statement).
2. If there is a petty cash balance at December 31, 2017, please compare the cash amount on hand to the book balance. These amounts should be the same and need to be adjusted to actual.
3. If ending inventory exists at December 31, 2017, please provide a recap of your physical count taken at year-end.
4. Fixed asset additions purchased during 2017 (over \$500)—please provide copies of invoices supporting purchase price and date acquired.  
  
If the asset was financed, please provide the loan agreement.
5. Fixed asset disposals – please provide information on assets sold and/or abandoned during 2017.
6. Credit card statements listing charges through December 31, 2017. Depending on the statement cutoff date, this could be your January and/or February 2018 statements. Each credit card account should be reconciled to the book balance.
7. Statements reflecting the loan balance at December 31, 2017 (this may be the January 2018 statement). Loan balances may relate to equipment loans and lines of credits. If you receive a year-end summary reporting interest paid in 2017, please provide. Also, please provide copies of any new and/or refinanced loan agreements that were entered into during 2017.
8. Year-end payroll reports including 2017 W-3 and W-2's. If you use an outside payroll service, please provide the last payroll report for the calendar year 2017.
9. Copies of 2017 Forms 1099 issued for the year.
10. Copies of contracts for new leases (i.e. property, vehicles of equipment) during 2017.

11. If applicable, please submit IRS Forms 1099 (Int., Misc., Cancellation of Debt, etc.) and any IRS correspondence your business may have received for 2017.
12. Documentation for any change of ownership for partners/shareholders, locations or number of stores.

After your 2017 accounting has been completed (i.e. 2017 activity entered and accounts reconciled), please create an Accountant's Copy or Backup of your QuickBooks file for our use.

If you use software other than QuickBooks, please print balance sheets as of December 31, 2017 and December 31, 2016, an income statement for the calendar year 2017, accounts receivable summary list and accounts payable summary list as of December 31, 2017.

This is a preliminary list; additional information may be requested during income tax preparation. Your cooperation in submitting this information on a timely basis would be most appreciated.

**Cutoff dates for timely completion of entity tax returns**

The initial federal filing due date for 2017 **C and S Corporate tax returns as well as Partnerships** is March 15, 2018. To ensure completion of your corporate return, all information must be received by our office **no later than March 1, 2018.**

The final extended federal filing date for 2017 **C and S Corporations and Partnership** tax returns is **September 17, 2017.**

Once our office receives all required information, tax returns are prepared on a first-in first-out basis. Thank you in advance for your assistance.

Sincerely,



Jamie Duman  
Certified Public Accountant  
Enrolled Agent

JD/jld

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