

Kram, McCarthy, Ayers & Frost, LLC
1704 Main Street
P.O. Box 426
Chester, Maryland 21619
410-643-4477

PLEASE UPDATE:

CURRENT MAILING ADDRESS:

CURRENT PHYSICAL LOCATION OF ASSETS OWNED BY COMPANY:

BEST PHONE NUMBER TO CONTACT:

(____) _____ - _____

E-MAIL TO CONTACT:

_____@_____

RE: 2019 YEAR END INFORMATION

In 2018 Congress passed the largest over-haul of our tax system in over 30 years. We would like to thank our clients for making the 2018 filing season a huge success. As we gear up for the second year of the tax law changes, we are asking all our clients to be timely in the submission of your tax information due to the law's complexity, which requires more time and effort to prepare each tax return.

Please take a few minutes to read through our list concerning the end of the year information we will need in order to service your account properly. Please drop or mail this information to our office as soon as possible after December 31, 2019. **We need health insurance paid by S-Corporations and employer provided vehicle information by DECEMBER 31, 2019 to include on W-2's.** Please see the list on the following pages for more details regarding these two items. It is imperative that you complete this questionnaire along with all new attachments.

- If Kram, McCarthy, Ayers & Frost, LLC (KMAF) prepares IRS Form 1099's for your business or rental, the subcontractor summary should include:
 - o Full Name / Address / Social Security # or Federal ID # / and the total amount paid to the subcontractor.
 - o **1099's are due January 31, 2019.**

- KMAF can provide an excel schedule for you to populate upon request at taxdept@krammccarthy.com
- NOTE: A 1099 is required to be issued to all subcontractors / vendors who were paid in excess of \$600.00 and are not incorporated, i.e. LLC's, Partnerships, and individuals, etc.
 - Only payments to corporations are exempt from the 1099 requirement.
 - Attorneys & Lawyers are required to be issued a 1099 even if the firm is incorporated and paid \$600 or more.
 - Please request all your subcontractors / vendors to fill out an IRS Form W-9 (<https://www.irs.gov/pub/irs-pdf/fw9.pdf>)
 - Kram, McCarthy, Ayers & Frost is a Partnership for Federal Income tax purposes. Please call the office to obtain a copy of our W-9.
- You must take a physical Y/E inventory, when applicable, of the total cost (not retail value) of your goods for sale.
- If you, or a payroll service other than Advanced Payroll Services processes your payroll, you should provide a copy of the 2019 W-2's, 941 reports, and earnings summary.
- You should make a list of your outstanding accounts receivables and accounts payables as of December 31, 2019.
- Make an accurate listing of your fixed assets:
 - Provide copies of purchases, purchase price, and date purchased
 - List items sold, Sales Price, and Date Sold
 - Provide copies of financial information for any loans (include- amount of interest, loan amount, payment amount and terms of loan).
 - Leasing documents, identification for any leased equipment, including automobiles.
- Gather all 2019 interest forms you receive from banks or other lending institutions
 - Obtain ending principal balances on all outstanding loans and total interest paid as of December 31, 2019.
- If we have not prepared a regular financial statement for you all year, please start gathering the following information as well:
 - Bank Statements- General/ Payroll/ Savings
 - Check Stubs and Cancelled Checks
 - Cash Receipts Records
 - Payroll (Detail of Gross and Taxes Withheld) and other Deductions
- If you have your financial information on QuickBooks, please make sure that the backup is packaged safely and marked with the software, version, username, and password. We can restore from USB drive or CD (please use formatted CD-RW Disk), a backup, or an accountant's copy from the QuickBooks program. Dropbox can also be set up to receive this information. Please reach out to a staff member in the office.

NOTE: IMPORTANT INFORMATION IMPACTING BUSINESSES:

SALES TAX:

In 2018 the US Supreme Court in South Dakota v. Wayfair overturned the established physical presence rules for businesses to determine if they needed to register, collect and pay sales tax in an individual state. If your business has a website and engages in internet based out-of-state sales, you could be exposed to new laws passed in over 35 states requiring you to register, collect, and pay sales tax in that state.

We do not monitor sales volumes or the number of transactions by state and do not register or file sales tax returns for you when we prepare your income tax returns. It is imperative if you have a website selling products or services, or you offer sales across state lines, that you familiarize yourself with these rules and protect your company. We can make suggestions for software solutions if you wish, but again, you need to take action on this issue because it is not part of your income tax preparation.

SHAREHOLDER HEALTH INSURANCE:

The IRS is requiring that Health Insurance be paid by the corporation under a group policy. For a 2% or more shareholder, the premiums paid need to be included on their W-2. The Health Insurance is subject to federal and state withholding, but may be subject to social security, Medicare & unemployment taxes if the policy is discriminatory and NOT in compliance with the Affordable Care Act (ACA). If the spouse and dependents are included in the shareholder policy, the total is included for reporting on the W-2.

If KMAF or Advanced Payroll Solutions prepares your W-2's, please provide the amount of the insurance by December 31, 2019.

- If **you** prepare the W-2's, please include the insurance amount on the W-2's.
- If you have an outside payroll agency, please give them the information so that it may be included on your W-2's.

Please indicate:

() THE CORPORATION **DOES NOT** PAY FOR MY HEALTH INSURANCE

() THE CORPORATION **DOES** PAY FOR MY HEALTH INSURANCE IN THE ANNUAL AMOUNT OF _____.

REPAIRS & CAPITALIZATION POLICES:

In 2013 the IRS released sweeping changes in items that could be considered deductible as repairs, maintenance and small deductible purchases. These regulations allow, with the adoption of a \$2500 de minimis policy, businesses to deduct the first \$2500 of repairs, maintenance, and small purchases but require items costing more than the \$2500 de minimis to be subjected to up to 20 additional tests regarding a 12month usage life, betterments, adaptations and restorations. You will be responsible for adopting the policy and applying these tests to all repairs, maintenance and equipment.

PAYROLL INFORMATION/ PENSION:

If any employees are involved in your company pension, please advise us so that it may be marked on their W-2. If the corporation is going to match a portion of the retirement, please provide information so the benefit of the expense is accrued in the current year.

Bonus: Bonus checks must be included in payroll and you must withhold FICA/MED on bonuses. The IRS requires that bonuses, stated separately, must withhold 22% of federal income tax.

1099 PENALTIES

Congress has gotten serious about not issuing 1099's. In prior years the penalty for not issuing a 1099 was \$50 per event. For 2019 in many cases the penalty could be as much as \$1000 per each omitted or incorrect 1099-Misc. A 1099-Misc is

required whenever you pay a non-corporate entity \$600 or more in one year in business transactions. The 1099-Misc must be provided to the taxpayer by January 31, 2019 and **this year the IRS' copy must also be sent by January 31, 2020** or those penalties will apply. You may encounter sub-contractors that don't want you to issue them one, so make sure you get them to fill out a W-9 form before you issue them a payment. Make sure you issue the 1099's to every possible supplier, vendor or service provider.

EMPLOYER PROVIDED VEHICLES

Personal use by an employee of a vehicle provided by the employer is a fringe benefit. **Personal use needs to be recorded on your W-2.** The compensation that will be charged to you will be based upon a table provided by the IRS. The table is based on the fair market value of the vehicle you are driving. In addition to the table amount, a cents per mile personal use fuel charge is required. The taxable value is subject to withholding and reporting requirements. In order to properly complete your W-2 and notify you of any additional tax due, please provide this information by **December 31, 2019.**

- () COMPANY VEHICLE(S) ARE USED 100% FOR BUSINESS USE
- () COMPANY VEHICLE(S) ARE USED PERSONAL USE AS FOLLOWS:

<u>VEHICLE</u>	<u>YEAR, MAKE & MODEL</u>	<u>FAIR MARKET VALUE</u>	<u>TOTAL MILES</u>	<u>2019 PERSONAL MILES</u>	<u>2019 BUSINESS MILES</u>

- () THERE ARE ADEQUATE RECORDS TO SUPPORT THIS INFORMATION IN WRITING.
- () THE CORPORATION PROVIDES FUEL FOR THE BUSINESS/PERSONAL USE OF THE VEHICLE(S).
- () THE CORPORATION DOES NOT PROVIDE ANY FUEL.

Please call our office if you have any questions @ 410-643-4477 or email us at taxdept@krammccarthy.com

PLEASE PRINT THE NAME OF THE PERSON COMPLETING THIS FORM

Sincerely,

Kram Mc Carthy, Ayers & Frost LLC