

THE SMALLBIZ BUILDER

Planning For Your Dreams



May 2016

PADGETT BUSINESS SERVICES®

Vol. 14, No. 5

This Month:

- Employer Provided Cell Phones
 - Like-Kind Exchanges
- What Happens After I File?

Employer Provided Cell Phones

There are several reasons why you may want to provide cell phones to your employees, or reimburse them for the business use of their cell phones. Whether or not the benefit or reimbursement is taxable to them hinges on “business purpose.” IRS will treat the benefit or reimbursement as nontaxable if your reason for providing it is due to:



- Your need to contact the employee at all times for work-related emergencies;
- Your requirement that the employee be available to speak with clients when away from the office; and,
- Your employee’s need to speak with clients located in other time zones at times outside of the normal work day.

The amount of reimbursement must be reasonable and not be more than the employee’s actual expense as it relates to the needs of your business. Although the IRS doesn’t require recordkeeping of business use in order to receive this tax-free treatment, some form of documentation relating to the non-compensatory nature of the benefit or reimbursement is advised, just to be on the safe side.

Like-Kind Exchanges

Chances are you know someone who has done a like-kind exchange of real property – a commercial building or residential rental, for example. Qualifying exchanges allow you to get a new property without having to report the gain on the sale of the old. You can use a like-kind exchange for property other than realty. When you trade in a truck used in your business towards the purchase of a new truck, that’s a like-kind exchange. But not all exchanges qualify. One rule is that the properties have to be in the same general asset class. For example, office equipment (desks, chairs, file cabinets, shelving, etc.) for other office equipment; trading office equipment for a car won’t work. Nor will an auto for a light truck or a light truck for a heavy general purpose truck. And inventory, goodwill, going concern value, customer account lists, trademarks, trade names and similar intangibles can never qualify as like-kind property. Not all like-kind exchanges are nontaxable. If money or other non-like property (boot) is involved or the new property’s value is less than the old, some, if not all of the gain will be taxable.

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What Happens After I File?

Most taxpayers have already filed their federal tax returns but may still have questions. Here's what you need to know about refund status, recordkeeping, mistakes and what to do if you move.

Refund Information. Go to IRS.gov and click on "Get Your Refund Status." You can check the status of your refund 24 hours after IRS acknowledges receipt of your e-filed return or 4 weeks after mailing a paper return. Be sure to have a copy of your return on hand because you'll need it to enter some of the information requested. If the internet isn't an option, call 1-800-829-4477 for automated refund information. Keep the following in mind as you wait for your refund:

- *Returns Filed Electronically.* If you filed electronically, your refund will normally be issued within three weeks after the acknowledgment date.
- *Paper Return Processing Time.* If you file a complete and accurate paper tax return, your refund will usually be issued within six weeks from the received date.
- *Delayed Refund.* There are several reasons for delayed refunds. For errors that may delay the processing of your return, refer to Tax Topic 303 on IRS.gov.
- *Larger than Expected Refund.* If you receive a refund to which you are not entitled, or one for an amount that is more than you expected, do not cash the check until you receive a notice explaining the difference. Follow the instructions on the notice.
- *Smaller than Expected Refund.* If your refund is smaller than expected, it's safe to cash the check. If later you learn that you should've received more, you'll receive a check for the difference. If you didn't receive a notice and you have questions about the amount of your refund, wait two weeks after receiving the refund, then call 800-829-1040.
- *Missing Refund.* The IRS will assist you in obtaining a replacement check for a refund check that is verified as lost, stolen, or unable to be delivered.

What Records Should I Keep? Keeping all receipts, canceled checks or other proof of payment, and any other records to support any deductions or credits you claim will help if ever audited. Normally, tax records should be kept for 3 years (7 years if there's any concern the IRS could show a significant understatement of gross income), but some documents — such as records relating to a home purchase or sale, stock transactions, IRAs and business or rental property — should be kept longer. Keep copies of your tax returns as part of your records, as they are helpful in amending filed returns and preparing future ones.

Change of Address. If you move after filing your return, send Form 8822, Change of Address, to the IRS. If you're expecting a refund through the mail, you should also change your address with the US Postal Service at usps.com.

What If I Made a Mistake? Errors can delay your refund or result in notices being sent to you. If you discover an error or omission on your return, you can correct it by filing an amended return using Form 1040X, Amended U.S. Individual Income Tax Return.

What if I Receive an IRS notice? It's a moment many taxpayers dread. A letter arrives from the IRS — and it's not a refund check. Don't panic; many of these letters can be dealt with simply and painlessly. Each year, the IRS sends millions of letters and notices to taxpayers. The notice you receive normally covers a very specific issue about your account or tax return, and offers specific instructions on how to satisfy the inquiry. If you receive a correction notice, you and a Padgett representative should review the correspondence and compare it with the information on your return.

- *Agree?* If you agree with the correction, usually no reply is necessary unless a payment is due.
- *Disagree?* If you don't agree with the correction, it's important that you respond as requested. Write to explain why you disagree. Include any documents and information you wish the IRS to consider, along with the bottom tear-off portion of the notice. Mail the information to the IRS as directed, and allow at least 30 days for a response.

Most correspondence can be handled without calling or visiting an IRS office. However, if you have questions, call the telephone number in the upper right hand corner of the notice. Have a copy of your tax return and the correspondence available when you call. Be sure to keep copies of any correspondence with your records. Resolution can often be completed in our office while you are present; contact us if you would like assistance in resolving any tax notice.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.



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