STEPHENSON & WARNER, INC.
CERTIFIED PUBLIC ACCOUNTANTS

April Monthly Newsletter 2018

April 17 –

• Individual income tax returns for 2017 are due.

• 2017 calendar-year C corporation income tax returns are due.

• 2017 annual gift tax returns are due.

• Deadline for making 2017 IRA contributions.

• First installment of 2018 individual estimated tax is due.

When an extension makes sense

While most people should file a tax return by April 17, you have the option of delaying your filing date until Oct. 15 with a tax extension.

When to file an extension

• Missing or incorrect information. If one of the forms you need to file your return has an error on it, it is often better to receive a corrected form before filing.

• Recharacterizing Roth IRA rollover amounts. If you've rolled funds from a traditional IRA into a Roth IRA, you may want to reverse it later if the investments lose value. This so-called recharacterization process can be done up to the extended tax-filing date of Oct. 15, and in many cases it makes sense to wait until then. Note that 2017 is the last tax year you can use the recharacterization process, which was eliminated for future years by the Tax Cuts and Jobs Act.

• For self-employed retirement donations. The self-employed can use an extension to buy time to fund an SEP IRA. This extended time frame does not apply to traditional IRAs and Roth IRAs.

• Avoid late filing penalty. If you fail to file a tax return, two tax penalties come into play: a late filing penalty and a late payment penalty. By filing an extension, you can push out the potential late-filing penalty for another six months even if you cannot yet pay the tax.

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Great uses for your tax refund

Most Americans get a refund every year, with the average check weighing in at $2,895 last year. Even though it's really money that they earned, many people are tempted to treat it like a windfall and splurge. If you can resist that temptation, here are some of the best ways to put your refund to good use:

• Pay off debt. If you have debt, part of your refund could be used to reduce or eliminate it. Paying off high-interest credit card or auto loan debt means freeing up the money you had been paying in interest for other uses. And making extra payments on your mortgage can put more money in your pocket over the long haul.

• Save for retirement. Saving for retirement allows the power of compound interest to work for you. Consider depositing some of your refund check into a traditional or Roth IRA. You can contribute a total of $5,500 every year, plus an extra $1,000 if you are at least 50 years old.

• Save for a home. Home ownership can be a source of wealth and stability for many people. If you dream of owning a home, consider adding your refund to a down payment fund.

• Invest in yourself. Sometimes the best investment isn't financial, it's personal. A course of study or conference that improves your skills or knowledge could be the best use of your money.

• Give to charity. Giving your refund to a charity helps others and gives you a deduction for your next tax return.

• Don't give to scammers! Scammers are using a new tactic to separate people from their tax refunds. First, they file fraudulent refunds on behalf of their victims. Then, after a refund check arrives at the taxpayer's address, they impersonate an IRS agent over the phone and demand to be sent the refund because it was sent in error. Remember, real IRS agents will never call over the phone and demand immediate payment for any reason.

If you use some of your refund for one of the ideas here, you can also feel good about setting a little aside for yourself to have some fun!

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Stay prepared to sell your business

If you enjoy running your own business, selling it may be the furthest thing from your mind. But the reality is that eventually an opportunity to sell will come, whether due to your own life changes or a perfect buyer walking in the door. Planning, often years in advance of the sale date, is necessary to get the most value for the love, sweat and tears you've invested. Here are some tips to stay prepared:

• Assemble a great team. Selling a business is a complex process, especially as you grow larger. You're likely to need three kinds of professionals to help: an accountant, to help review and produce clean and easy-to-understand financial statements; a lawyer, to create the necessary legal documents and help you negotiate terms; and a trusted business broker, to evaluate the worth of your business and find buyers.

• Develop your exit strategy. With the help of your advisory team, create a clear picture of what selling your business might look like. Outline the risks and opportunities that could affect the valuation of your business. Planning out an ideal scenario as well as a plan B will help you avoid getting backed into a corner and selling at a discount.

• Clean up your financials. As you get closer to selling, go over your business financial statements as well as your tax returns from the last three years. A broker will like to present a clear and compelling financial picture to a client, and that will include a year-to-date financial report.

• Have a plan to improve sales. The worst time to sell is when sales are declining, even if it's just a temporary or seasonal dip. Part of your planning should include some tactics to boost your sales and cash flow, such as increasing marketing and promotion, liquidating bloated inventories or collecting on accounts receivables.

• Be prepared to evaluate buyers. Be prepared to take a calm approach to any offers you get. You don't want to jump at the first offer, and many offers that seem too good to be true often are. Lack of solid financing is often an issue, so work with your business broker to find buyers who have been prequalified by a lender.

• Have your after-sale plan down. Often a buyer will want to include a clause that the previous owner stay on awhile as an advisor. Make sure that the advisory period lined out in the contract isn't longer than is comfortable for you. Finally, work with your accountant on a tax-efficient plan for the proceeds of your sale.

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This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at 513.868.8600.