March Monthly Newsletter 2020

Important Reminders

Online Appointment Scheduling now Available at : https://10to8.com/book/ggcmtoevqpaxsyckmk/

March 1 - Farmers and fishermen who did not make 2019 estimated tax payments must file 2019 tax returns and pay taxes in full.

March 2 - Automatic extension deadline for employers and health care providers to provide Forms 1095-B and 1095-C to individuals.

March 8- Daylight saving time begins

March 16- Due date for partnership and S corporation tax returns (Forms 1065, 1120S)

March 17- Happy Saint Patrick's Day

March 23 - Due date for S&W to receive your tax info.

The tax filing deadline is right around the corner! As you're busy gathering your tax documents or reviewing your tax return, included here is a caution concerning the security of IRS online applications and websites.

If you're an independent contractor, there is an article outlining tips for surviving the world of self-employment.

This issue also includes an article on the pros and cons of renting or buying a home and an interesting article on new viewing alternatives targeting younger audiences.

Please call if you would like to discuss how this information could impact your situation. If you know someone who can benefit from this newsletter, feel free to send it to them.

March Madness Basketball Pool

Stephenson and Warner is thrilled to announce our March Madness basketball tournament for 2020!! Have some fun with us by participating in our FREE basketball pool.

S&W will award $200 discount or $150 Visa gift card for first place, a $100 discount or $50 Visa gift card for second place, and $50 discount for third place. Discounts will be applied to any tax or accounting service.

Please only 1 entry per person.

More Information and the link to participate will be available soon. Thank you for doing business with us and good luck!

February Monthly Newsletter 2020

The IRS Data Theft Problem

Here's how to minimize your risk

What better place for online thieves to target than a database that contains 300 million+ Social Security numbers and a treasure trove of financial information?

The IRS has 52 Internet applications to help U.S. citizens comply with their tax obligations. But these online portals, which collect, process and store large amounts of personal information and tax data, are also a potential gateway for online criminals and identity thieves.

While the IRS's electronic authentication security controls have improved, the Treasury Inspector General recently said that the IRS's internet applications are not yet compliant with the National Institute of Standards and Technology guidelines.

Here's what you can do to protect your tax-related identity and information while the IRS tries to improve its security controls:

- **Use the IRS's Internet applications judiciously.** Think you need to use one of the IRS's online applications? Consider requesting or obtaining certain information via the U.S. Postal service. Simply decide if you're willing to take a risk using an application that isn't compliant with the National Institute of Standards and Technology.

- **Get an IP PIN.** An Identity Protection PIN (IP PIN) is a six-digit number that helps prevent your Social Security number from being used on fraudulent federal income tax returns. If you are a confirmed victim of identity theft, the IRS will mail you an IP PIN after the fraudulent tax issue has been resolved. If you haven't been the victim of tax-related identity theft, you can voluntarily ask the IRS to issue you an IP PIN if you live in certain states. Additional states will be added until the IP PIN program is available nationwide.

- **Review your credit report once a year.** Check your credit report for any unauthorized activity or errors. This periodic review can often be the earliest warning that your private information is compromised.

February Monthly Newsletter 2020

Live Steaming Entertainment is Changing!

If it’s between 9:30 am and 6 pm CST, a 28-year-old named Tyler Blevins—better known as Ninja—is most likely broadcasting himself playing video games. He’s also making an estimated $500,000 a month doing it.

Blevins represents the new wave of visual entertainment and video game streaming. His popularity started to soar in late 2017 when he and other video game streamers began playing a game called "Fortnite." Fast forward to 2019, and Blevins is the most recognized name in the video game streaming industry with nearly 15 million followers.

But it's not just Blevins and the video game streaming industry that are racking up huge audiences. The entire streaming industry is estimated to reach $125 billion by 2025, according to findings from Grand View Research.

Here are three of the most popular social media platforms that are currently dominating the live, visual entertainment market.

- **Twitch: Live game streaming**
  Twitch (purchased by Amazon in 2014 for $1 billion) is the most popular streaming (sharing live video) platform in the world and where Blevins first started growing his followers. It has 15 million daily active users and 27,000 “partners”—streamers who have met certain conditions to access more features and monetize their channels. Twitch is most associated with watching people play video games, but has everything from live educational streams to broadcasting events for eSports, an industry with revenues over $1 billion. While users are attracted to the service by individual gamers and the games they play, Twitch itself relies on an audience in the 18- to 34-year-old range to patronize advertisers, make in-app purchases and subscribe to premium services.
- **Mixer: Microsoft competitor to Twitch**
  Purchased by Microsoft in 2016 for an undisclosed amount, Mixer is currently a distant 2nd to Twitch in the streaming space, but quickly gaining traction. Boasting a better overall gaming and watching experience than Twitch, Mixer was able to lure Blevins away from Twitch in 2019, signing him to a $50 million contract. Like Twitch, Mixer is banking on both establishment backing and being able to move traditional revenue streams into a new model.
- **TikTok: The lip-synching video phenomena**
  If video games aren't your thing, then maybe give lip-synching a try with TikTok. Backed by the Chinese company ByteDance, TikTok's app boasts 150+ million downloads across every major market in the world, a level of adoption only matched by the biggest names in tech. TikTok lets users create 15-second videos and share them, and then the platform uses advanced artificial intelligence (AI) to directly feed those videos to users it deems will enjoy them. This is different than apps which suggest content, as TikTok directly presents the content to users. Videos are often of individuals participating in viral dance trends or of short comedic skits. The AI behind the app is constantly learning from user videos and can better curate content.

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February Monthly Newsletter 2020

Should you Buy or Rent a Home?

The pros and cons of renting versus buying

For many folks, the lyrics of a 1960s rock song summarize the American dream: "Our house is a very, very, very fine house." According to U.S. Census figures, about two-thirds of American families are homeowners.

But buying a house or condo may not be the best choice for every family in every situation. Renting offers the following advantages:

- **Greater flexibility.** When renting a house, apartment, or condo, you have the option of moving at the end of the lease term. No need to contact a realtor, no hassle with buying or selling. For those who want to keep their options open, especially in terms of job location or dwelling size, renting may prove the better choice.
- **Opportunities to invest elsewhere.** Instead of plowing your savings into a home, you might get a better return by contributing to mutual funds or other investments. Depending on the housing market in your city, the annual increase in your home's value may barely outpace inflation.
- **Lower cost.** Apartments are often smaller than homes, so heating and cooling expenses tend to be lower. If you don't have a lawn, you won't incur the cost of water to keep it green. Roof leaking? Appliances on the blink? Call the landlord. Home repair and maintenance aren't normally your responsibilities.

Of course, as many realtors and financial analysts rightly point out, homeowners also enjoy significant advantages:

- **Greater flexibility.** Ironically, homeowners enjoy certain freedoms denied to renters. If a homeowner wants to paint a wall or hang a picture, he or she doesn't answer to a landlord. Installing a doggy door isn't a problem. Hiring a remodel contractor to tear out a wall is perfectly acceptable. Don't try this if you're a renter.
- **Increasing equity.** One of the greatest advantages to buying a home is the likelihood of increased equity over time. As long as your mortgage is being whittled down by monthly payments, you're building equity—even if your property value remains stable.
- **Lower taxes.** The ability to deduct mortgage interest and property taxes (if you itemize) can significantly lower your end-of-year tax bill. Renters must forgo this benefit.

Clearly, the choice to rent or buy a home depends on individual circumstances and tastes. If you'd like help with this important decision, give us a call.

February Monthly Newsletter 2020

How to Succeed as an Independent Contractor

Are you one of the now 33% of Americans who work as either an independent contractor or freelancer?

If you answered yes, you are now a participant in the gig economy, a modern term for an economy characterized by workers who earn money through short-term contracts or freelance work.

Succeeding as an independent contractor can be challenging because it requires understanding a different set key success factors than being a full-time employee. Here are some tips on developing your skill set as an independent contractor and where to turn to if you need help.

- **Contract for companies with generous payment terms.** The formula for companies to pay its contract workers varies from business to business. Investigate a company's policy for paying its contract workers to make sure it's what you're expecting. Remember, cash is king!
- **Market your services by creating an online portfolio.** If being a contract worker is your full-time job, you'll need to always be looking for your next gig. One great way to market yourself to prospective businesses is to create an online portfolio that showcases the work you can perform. You can choose to build a website using a do-it-yourself service or hire a developer to create a custom website.
- **Stick to budget**. As a full-time employee, you know the exact date you'll receive your paychecks and usually the exact dollar amount. As a participant in the gig economy, however, you could earn a bunch of money in one month and hardly any money the following month. Prepare a financial budget so you can use income earned during your good months to cover costs during low income months.
- **Stay one step ahead of the IRS.** Paying taxes is now your responsibility. Participating in the gig economy requires more knowledge about how to meet your tax obligations. So ask for professional help. Plus use other tools at your disposal. For instance, the IRS Gig Economy Tax Center gives guidance on how to figure out what you may owe the IRS. The website is https://www.irs.gov/businesses/gig-economy-tax-center.
- **Get advice from others**. Working primarily by yourself can leave you isolated from fellow workers. Join a local group of self-employed workers that meets on a regular basis to network and learn what other workers are doing to be successful.

Remember you are not alone. The complex nature of tax obligations for contractors can easily be navigated with professional help.

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February Monthly Newsletter 2020

Ease the Pain of Repaying Student Loans

Student loan debt is a hot topic and for good reason. Managing the burden that comes during repayment is very difficult. Fortunately, there are ways to get some relief while taking advantage of timely tax breaks at the same time. Here are four ways to help lessen the strain of repaying your student loans.

- **Deduct your student loan interest.** The IRS allows you to deduct up to $2,500 in student loan interest payments on your tax return each year. The great thing about this deduction is you can take it even if you don't itemize! Each loan provider should issue you a Form 1098-E if you pay over $600 in interest for the year. If you pay less than that, and you don't receive a Form 1098-E, save your monthly statements as back up for the interest you pay. Even if you are still in school, and you are making interest payments, you are eligible for the deduction.
- **Exclude cancelled debt as income.** In most cases the IRS considers cancelled debt as income. However, the IRS recently announced that students would not have to report cancelled student loans as income in the following situations:
    - The school closed when you were attending, or shortly after you attended.
    - The school actions are contradictory to applicable laws.
    - You are a part of a successful legal settlement against the school.

If you receive a Form 1099-C for cancelled student loan debt, conduct research to determine if one of these exclusions applies to your situation.

- **Refinance to lower your payments**. Are you making two or more different student loan payments every month? Refinancing multiple accounts into one loan can lower your effective interest rate and your monthly payment. You can also lower your monthly payment by taking an existing loan and refinancing over a greater number of years.
- **Plan for tuition costs**. Utilizing student loans to finance your education is a necessity for many people. However, you can cut down on future payments with early savings. For example, parents and grandparents can create 529 college savings plans. And as soon as you start earning income, earmark a portion of every paycheck for college. Grants and scholarships are another way to reduce tuition costs, so start researching early.

College debt can seem daunting. But by combining a long-term plan while taking advantage of tax benefits, the mountain of debt can become a manageable hill.

February Monthly Newsletter 2020

Heads I Win, Tails You Lose

Things to consider when selling on Amazon

Thinking about selling products on Amazon? They are a great company and consumers love them. But before you leap, it is good to try to understand how they think. A simple method to help you do this is the following phrase:

Heads I win, tails you lose.

Consider this phrase to help you understand your risks when using this selling channel.

Here are some examples of this idea in action:

The problem: How does Amazon discover what products it should sell?

- Heads I win. Amazon often lets sellers take the risk. It watches what sells and then considers the successful products to decide whether to create an Amazon-distributed listing or point other sellers to your listing.
- Tails you lose. Your successful Amazon listing suddenly gets lots of competition and often Amazon appears listing the same or a similar product. Your volumes then go down.

The problem: Amazon wants to start direct shipment, but too many sellers are shipping the product themselves.

- Heads I win. Amazon presents slight differences about shipping expectations for direct ship sellers while making Amazon-fulfilled alternatives appear just a little bit better. The result? More buyers move to Amazon fulfilled listings, especially when delivery deadlines are important.
- Tails you lose. For time sensitive items, sellers now need to move to "Fulfilled-by-Amazon" (FBA) or lose sales. This complicates inventory forecasting. Product now needs to be shipped to Amazon, and then they move it to other distribution centers, often taking weeks to receive product you already have on hand.

The problem: Amazon makes less money on seller-listed items.

- Heads I win. Amazon gives preferential treatment to Prime-eligible listings, thus creating the need for you to move to FBA if you wish to maximize your channel sales. And with FBA, Amazon receives more revenue than seller-fulfilled items.
- Tails you lose. If you do not advertise with Amazon, your listing slowly sinks down the offer page - often despite being the lowest-priced item. The logic behind this is a mystery to most sellers. And if the category is competitive, this added advertising can dramatically increase your Amazon costs.

February Monthly Newsletter 2020

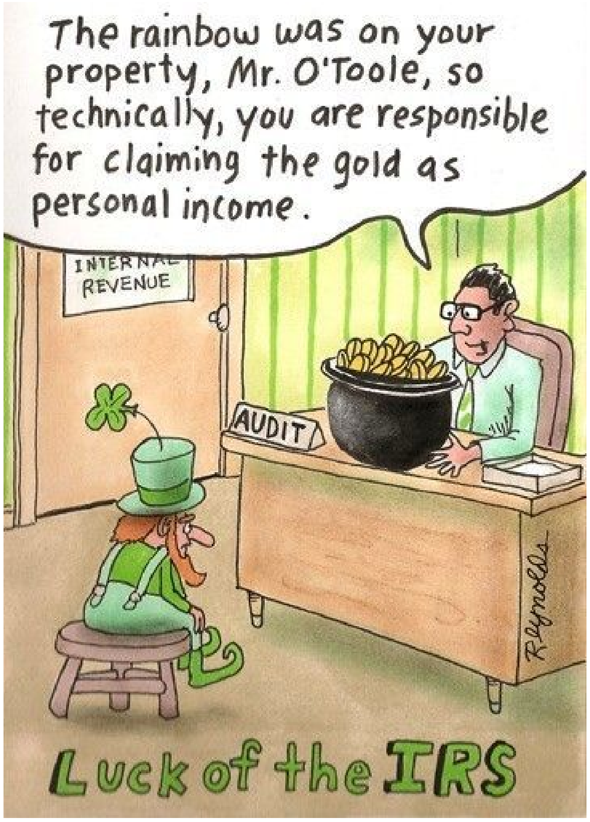
The problem: Sellers complain when third-party sellers jump on listings, sell inferior products, and take over the prime seller box.

- Heads I win**.** From a channel perspective "Who cares?" The prices get lowered, more product is sold, and you, the seller, take the hit on unsold inventory.
- Tails you lose. Amazon tries to solve the problem by introducing optional “transparency codes” that allow legitimate sellers to pay for a special label placed on each product. If you pay this extra money for the codes, Amazon can more aggressively keep your listing clear. This is not unlike parking at a sporting event and having a kid come up to you and offer to protect your car from damage for $20. What happens if you do not pay the $20?

These scenarios do not mean you can't earn money by selling products on Amazon. Hopefully, by understanding the principle "heads I win, tails you lose," you can more readily discover your path to profitability using this popular selling platform.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

Accounting Humor



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