



# Newsletter

JUNE 2019

*Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.*

## **This Month:**

**June 16:** Father's Day

**June 17:** 2nd quarter estimated taxes due

**June 17:** 2018 tax deadline for U.S. citizens living abroad

Summertime offers unique tax saving situations. Outlined here are five ideas everyone can use. Plus, this issue includes possible payroll fraud schemes and make online reviews work for your business. Finally, spend a minute reviewing the wisdom of asking for help should you be contacted by the IRS.

Call if you would like to discuss how any of this information relates to you. If you know someone that can benefit from this newsletter, feel free to send it to them.

## **5 Summer Tax Savings Opportunities**

Ah, summer. The weather is warm, kids are out of school, and it's time to think about tax saving opportunities! Here are seven ways you can enjoy your normal summertime activities and save on taxes:

- 1. Rent out your property tax-free.** If you have a cabin, condo, or similar property, consider renting it out for two weeks. The rental income you receive on property rented for less than 15 days per year is not considered taxable income. In addition, you can still deduct your mortgage interest expense and property taxes in full as itemized deductions! Track the rental days closely — going over 14 days means all rent is taxable and rental income rules apply.

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## 5 Summer Tax Savings Opportunities (Cont'd)

- 2. Take a tax credit for summer childcare.** For many working parents, the summer comes with the added challenge of finding care for their children. Thankfully, the Child and Dependent Care Credit can cover 20-35 percent of qualified childcare expenses for your children under the age of 13. Eligible types of care include day care, nanny fees and day camps (overnight camps and summer school do not qualify).
- 3. Hire your kids.** If you own a business, hire your kids. If you are a sole proprietor and your child is under age 18, you can pay them to work without withholding or paying Social Security and Medicare tax.
- 4. Have a garage sale.** In general, the money you make from a yard or garage sale is tax-free because you sell your goods for less than you originally paid for them. Once the sale is over, donate the remaining items to a qualified charity to get a potential charitable donation deduction. Just remember to keep a log of the items you donate and ask for a receipt.
- 5. Start a Roth IRA for your children.** Roth IRA contributions are limited to the amount of income your child earns, so earned income is key. This can include income from mowing lawns or selling lemonade. Start making contributions as soon as your child makes some money to take advantage of the tax-free earnings available in a Roth IRA.

Taking the time this summer to execute these tips can put extra money in your pocket right away and provide you tax-saving happiness in the future.

## Payroll Fraud Schemes Every Business Should Know

According to the Association of Certified Fraud Examiners, nearly 30 percent of businesses are victims of payroll malfeasance, with small businesses twice as likely to be affected than large businesses. Here are four scary payroll fraud schemes you need to know:

- **Ghost employees.** A ghost employee does not exist anywhere except in your payroll system. Typically, someone with access to your payroll creates a fake employee and assigns direct deposit information to a dummy account so they can secretly transfer the money into their own bank account.

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## Payroll Fraud Schemes Every Business Should Know (Cont'd)

- **Time thieves.** Time stealing happens when employees add more time to their timecard than they actually worked. Sometimes multiple employees will team up to clock each other in earlier than when they arrive or later than when they depart for the day.
- **Shape-shifting commissions.** In an attempt to bump up a commission payment or attain a quota, sneaky sales employees may alter a sales contract to their benefit. A typical tactic used by a dishonest salesperson is to make a booked sale appear larger than it is and then slide a credit memo through the system in a later period. Companies with complicated commission calculations or weak controls in this area are the most vulnerable.
- **External swindlers.** A popular scam, known as phishing, starts with a fraudster impersonating a company executive through email or over the phone asking an employee with access to payroll data to wire money or provide sensitive information. These imposters can make the correspondence look very real by using company logos, signatures and email addresses.

### Tips to combat payroll fraud

Being aware of the threats is a start, but you also need to know how to stop them. Here are some tips to reduce your company's payroll fraud risk:

- **Better internal controls.** While most employees are trustworthy, giving too much control over your payroll to one person is not a good idea. Separating payroll duties and formalizing an approval process protects both your business and your employees.
- **Review payroll records.** Designate someone outside of the payroll-processing department to periodically review the payroll records. Have them review names, pay rates and verify that the total payroll matches what was withdrawn from the business bank account.
- **Perform random internal audits.** During an internal audit is when you can really get into the details to look for potential payroll fraud. You can do an in-depth review of the whole payroll system or select a random sample of dates and employees. Keep the timing of the audit under wraps to prevent giving someone the chance to cover up their misdeeds.

Managing your business payroll is a daunting task by itself, and actively protecting against fraud adds additional complexity. Please call for help with your business payroll needs.

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## Make Online Reviews Work For Your Business

Many factors play into a potential customer's decision to buy your product or service, but one thing is clear — online reviews are at the top of the list. A recent study by BrightLocal reveals that 91 percent of people read online reviews before making a purchasing decision, and over 80 percent of people trust the reviews as much as a personal referral! Here are suggestions to improve yours:

- 1. Create an impactful online presence.** Unless you just opened your business, there's a good chance it already exists in at least one of the main online directories: Google My Business, Yelp and Bing. If it does, you can claim the listing and start managing your customer reviews. If it doesn't, go through the process to create a new business profile. Then, set up a Facebook business page (with reviews enabled) and add a review section to your website to encourage your customers to engage with your business online. As you grow your online footprint, your search engine optimization (SEO) will make it easier for prospective customers to find you.
- 2. Solicit great customer reviews.** While customers actively search out reviews when searching online, they don't always think to leave a review after a positive experience with your business. A personal request from you might be all that's needed to spring a happy customer into action. Maybe it's a sincere thank you note after a productive meeting or a customer appreciation email campaign that provides a link to your directory listings. The goal is to have your satisfied customers leave a review to boost your online profile and increase your SEO. Remember to make this process as easy as possible for your customers.
- 3. Use negative reviews to your benefit.** If left unresolved, bad reviews can crush your business reputation. By keeping a close eye on your listings, you have the opportunity to show potential customers how you effectively handle negative situations in a timely manner. Take the time to understand their complaint, empathize with their situation, apologize for the problem, and offer a reasonable solution. Remember to use these reviews primarily to communicate to readers of the reviews, not just the complainer.

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## Make Online Reviews Work For Your Business (Cont'd)

- 4. Keep listings fresh.** A long history of reviews is good to show that you are an established business, but current reviews are imperative to building a prospective customer's confidence. Seek out online reviews and keep your directory listings up to date to continue to show relevance and ongoing business activity.

Managing your online review profiles may seem scary, but by understanding the mechanics of how they work you can successfully display your quality business reputation to the online community.

## Never Take on the IRS Alone

Sleuthing your way through a tax audit by yourself is not the same as fixing a leaky faucet or changing your oil. Here are reasons you should seek professional help as soon as you receive a letter from the IRS:

- **IRS auditors do this for a living — you don't.** Seasoned IRS agents have seen your situation many times and know the rules better than you. Even worse, they are under no obligation to teach you the rules. Just like a defendant needs the help of a lawyer in court, you need someone in your corner that knows your rights and understands the correct tax code to apply in correspondence with the IRS.
- **Insufficient records will cost you.** When selected for an audit, the IRS will typically make a written request for specific documents they want to see. The list may include receipts, bills, legal documents, loan agreements and other records. If you are missing something from the list, things get dicey. It may be possible to reconstruct some of your records, but you might have to rely on a good explanation to avoid additional taxes plus a possible 20 percent negligence penalty.

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## Never Take on the IRS Alone (Cont'd)

- **Too much information can add audit risk.** While most audits are limited in scope, the IRS agent has the authority to increase that scope based on what they find in their original analysis. That means that if they find a document or hear something you say that sounds suspicious, they can extend the audit to additional areas. Being prepared with the proper support and concise, smart answers to their questions is the best approach to limiting further audit risk.
- **Missing an audit deadline can lead to trouble.** When you receive the original audit request, it will include a response deadline (typically 30 days). If you miss the deadline, the IRS will change your tax return using their interpretation of findings, not yours. This typically means assessing new taxes, interest and penalties. If you wish your point of view to be heard — get help right away to prepare a plan and manage the IRS deadlines.
- **Relying on an expert gives you peace of mind.** Tax audits are never fun, but they don't have to be pull-your-hair-out stressful. Together, we can map out a plan and take it step-by-step to ensure the best possible outcome. You'll rest easy knowing your audit situation is being handled by someone with the proper expertise that also has your best interests in mind.

*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.*