

Tax Talk

A Service of:
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TRAFFIC SIGNALS –

We have all seen others run a stop sign or ignore a yield sign. The driver may be unfamiliar with the area or distracted or simply doesn't consider the consequences. This newsletter will provide some other traffic signals to consider as you drive thru life.

IRA CHANGES –

Recent changes in IRA rules mean you have a green light to contact your financial advisor or plan administrator immediately to be sure your information is current. If they attempt to contact you twice and receive no response, they are required to close the account, issue a check and there could be big negative tax consequences. Be proactive on each of your IRA accounts by contacting them!

BUSINESS CLOSURES

– The Oklahoma Tax Commission now has the power to close a noncompliant business which has not filed reports or paid taxes three times in any 24 month period. The most common taxes are sales, use and withholding taxes. The actions move quickly and the Tax Commission is not the most efficient agency, so a yellow light is in order, checking to be sure that reports are filed as required.

OUT OF STATE COMPANIES –

Law firms and others advertise that setting up a company in Delaware or Nevada or certain other states will save you money. In very limited cases that is true, but for most small and start-up businesses,

the red light says stop! If you are doing business in or located in Oklahoma, you have nexus which means you are required to register as a foreign corporation and allocate sales and expenses to Oklahoma and pay taxes on any income. You still pay the taxes and now you have extra fees so you probably don't save anything and you may spend more. Please check with a local attorney or your CPA to find out more.

TAX EXPERTS –

Sometimes car salesmen and real estate agents can cause a yellow light. While they are well-meaning, they are passing bad information about what is deductible because they are trying to sell you something. Be sure to use a reputable

dealer or agent and check with me before you buy to determine what will help on your specific business or individual tax return.

1-800-SAVE TAXES-

The IRS used the same formula for everyone that thinks they cannot pay taxes and wants to reach an agreement to pay less. You must provide information on all your equity in assets and investments and your income. The IRS expects you to use those resources to pay them even if you have to take out loans or cash in investments. If your tax debts exceed your equity, then forms are submitted with a proposal to pay a portion of the debt over a period of time. This can take up to nine months and you must remain current with your tax filings and new tax payments for five years. No matter how flashy the TV ad, this one is a stop sign.

THE SHARING ECONOMY – Many consider barter and its

variations to be exempt from tax for some reason. STOP right there because the tax agencies still consider those transactions to be taxable. A transaction may generate not only income, but could be subject to sales or use tax as well. Swapping with an employee or a contractor could cause problems with payroll taxes and reporting on W-2s and 1099s.

ORGANIZATION – One of the simplest things to do when you start a business is to open a separate checking account to deposit all business income and write all business expenses. This will save you time in gathering year end numbers for tax purposes. If you use us to go thru bank statements, it will also save you money so we are not trying to sort out personal and business items.

FLOOD INSURANCE – The recent extraordinary floods in southeast Texas may be a yellow

light for some. While your home may not be in a flood plain, consider whether it may be vulnerable. Flooding is not covered in your normal homeowner policy and you must buy a separate flood insurance policy. This is much better than starting over and losing all your equity. While there are casualty loss deductions, the loss must exceed 10% of your income and you will only reduce your taxes by the amount of your tax rates (probably 20% to 40% for most people).

FRIENDS OF THE MUSTANG PUBLIC LIBRARY – I am the treasurer and we have a dinner theater fundraiser on December 1 featuring the MHS drama department. Tickets will be \$30 and can be purchased at the library. The Chocolate Festival will be March 9, 2018 so be sure to save the date for these green light events!