Accu-Facts

What I learned at the seminar ....

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New Penalty for Payroll Tax Paymts.

In an effort to get more businesses to use the electronic auto withdrawl payment method IRS has now instituted yet another penalty.

In the past , when we prepared the 941 Report each quarter, should your balance due be calculated at less than $2,500., we were able to just have you cut a check and mail in the balance with the form. Now several other restrictions have been added. You may enclose a check only when:
1) You did not make any previous EFTPS deposits during the quarter AND your balance due for the WHOLE quarter is less than $2,500.in total.
2) The Form 941 shows a balance due is less than $100

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3) The balance due is less than 2% of the quarter's liability.

What does this mean to you? Well, if you forget to make the EFTPS or are waiting for us to calculate a quarterly liability based on your sales for the quarter, we will have to call you with the amount and have you make the EFTPS by the 12th of the month. For those of you that I spoon feed, I have to get this information to you BEFORE the 12th which means YOU have to get us the information BEFORE the 5th ! ! ! When Kristin calls you for payroll data you MUST get back to her right away. Our calculation time has been slashed in half!. Better yet, mark your calendars to call her with your sales figures or your deposit amounts at the first of each quarter and get a jump on the process.

Please cooperate with us. The new penalty is 10% of the amount not already deposited.

Pension Plans Update

There was a change to pension plans recently. 401Ks are now entitled to have a portion of the contribution deposited in a Roth IRA as well as the regular investment account.

Before we discuss why that's important, let's recap some of the different types of pension instruments.

IRA : Basically, it's for people who DO NOT have a pension plan at work. You are putting money away for your retirement. Taking a tax break today and agreeing to pay the taxes on any amounts you remove from the plan during retirement.
A) There is an earnings cap of approx. $183K. B) caps are lowered for participants in a company pension who ALSO want an IRA (Single approx. $65K, MFJ approx. $105K) C) Take a tax break up front on your return but pay the taxes when you retire and take the $ out D) $5500 yearly max contribution E) There is an additional contribution allowed if you're older than 50.

Roth IRA: This plan is contributed to with **after tax dollars** BUT the beauty of this is that there is NO tax on any of the withdrawals. So, the new growth is all tax FREE. The contribution limits are the same as the regular IRA- $5500 if under 50 yrs old. The earnings limits are different but they're there.

401K Plan: A company sponsored plan. Whether it's your company or you're an employee of a large one. The employEEs can deduct pretax money from their paychecks & put it away for retirement. The annual maximum allowed to be contributed is $17,500 from the EE plus a company match. There is also the "over 50 yrs old" catch up contribution.

Again, upon retirement, the withdrawals are taxed.

There are other plans like a SEP IRA, a S.I.M.P.L.E. IRA and others but we'll discuss those another day.

Now, here's the new part - you can make your 401K plan include the new Roth component. The Roth contributions are no longer held to the $5500 limit. You can earmark the entire allowed contribution from EE 17,500 to go in to the Roth component.

The contributions WILL BE TAXES on your paycheck but the $ will go into the plan and grow tax FREE. The amount of growth will be exponentially increased as the years go by.

Any of you employees with plans at work should talk to HR about this option. If you entrepreneurs have opened a Singleman 401K plan, you should consult your brokers to see if your plan can be amended to include this new Roth feature.

We'll have to crunch some numbers to see if paying the tax today will be of benefit in your retirement.