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Newsletter September 2019

2019 Due Dates to Remember

September 16:

- 3rd quarter estimated Tax Payment Due
- Filing deadline for 2018 S-corp. and partnerships that received extension

September 30:

- Fiduciaries income tax returns due for calendar year end Estates and Trusts that received extension.

October 15:

- Extended individual and C-corp tax return filing deadline.

Watch Out for Those Fake IRS Letters

Article Highlights:

- Matching Season
- IRS Letters
- Fake Letters
- Demand for Immediate Payment

Every year, the vast majority of taxpayers file their returns with the IRS between the end of January and the April due date. However, the IRS does not just take taxpayers' word regarding the information on their returns. For this reason, tax season is followed by "matching season," when the IRS attempts to match the information on each taxpayer's return with the information from the various returns that other entities (employers, financial firms, educational institutions, the insurance marketplace, etc.) have filed. The goal is to identify possible accidental oversights and intentional omissions.

When the IRS finds a discrepancy, it sends the taxpayer one of many form letters to detail the discrepancy and to describe the options for dealing with the issue. Receiving such a letter inevitably causes a person's heart rate to jump a little; everyone dreads receiving correspondence from the IRS.

Is the letter real? Thieves know that this is the time of year when the IRS sends correspondence to taxpayers, so they are sending fake letters to trick people into making payments on bogus tax liabilities. As a result, taxpayers need to be very careful to avoid being hoodwinked by these scammers. The best practice is to have a tax professional review any letter that you receive before you take any action. If the letter is real, it requires a timely response, but if it is fake, it should be ignored.

These crooks take advantage of the anxiety that comes with receiving a letter from the IRS; they are counting on the likelihood that you will rush to make the potential problem go away. For instance, most of these fake letters demand immediate payment and threaten arrest if payment isn't made. Such language should make your scam alarm go off. These thieves also often ask individuals to make payments by providing them with the serial numbers of prepaid stored-value cards. This allows them to quickly access the money and then vanish. Any such request should also alert you to the scam attempt, as the IRS would never collect payments that way.

We encourage you to educate your family members – especially older ones – about these fake letters so that they do not fall for the scam.

Of course, it goes without saying that, if you receive a real letter from the IRS or state department of revenue you should not procrastinate. A timely response is necessary to prevent the IRS from escalating the situation.

We strongly recommend contacting this office if you receive any correspondence from the IRS or state department of revenue so that we can review its validity and, if necessary, respond to it in a timely and correct manner. In addition, beware of phone calls, texts, and e-mails claiming to be from the IRS; this should also set off a scam alarm, as the first contact from the IRS on a given matter is always by U.S. mail. These clever crooks are trying to separate you from your money, but you can stop that from happening. Don't be scammed.

5 Things You Should Know About the Chart of Accounts in QuickBooks

QuickBooks doesn't generally require deep knowledge of accounting principles to get started. Still, there are concepts you should understand.

You probably didn't expect you'd have to become an accounting expert when you started your business. You might have known you'd have to deal with recording income and expenses – maybe track your inventory and process a payroll. But you may not have understood just how complex financial bookkeeping could be.

That might be why you decided to use QuickBooks, or are at least considering it. The service sometimes simplifies the bookkeeping process. This is good practice, and it's absolutely necessary if, for example, you ever have to apply for financing.

One of the features of accounting systems you should understand is the **Chart of Accounts**. You typically won't have to alter it much—but you'll encounter it when you work with transactions. Here are five things you should know about it.

What is it?

These three columns from QuickBooks **Chart of Accounts** display account **Names, Types,** and **Detail Types** if used.

QuickBooks **Chart of Accounts** is a list of financial categories that are used to classify your company's transactions when you record them. If you were doing your accounting manually, you would have to create your own Chart of Accounts. But QuickBooks builds one for you based on the company type and industry you choose when you're setting up your company.

Why is the Chart of Accounts important?

Some people refer to the Chart of Accounts as the "backbone" of your company file. All transactions flow to it. Its primary importance can be summed up in one word: reports. Your reports will not be accurate if your Chart of Accounts is poorly constructed or if you categorize transactions incorrectly. This becomes as issue when you want to:

- Prepare taxes. Your income tax return will not reflect your reportable income and deductible expenses if transactions are not assigned to the right classifications.

- Apply for financing, take on an investor, sell your company, etc.
- Monitor your finances. You won't get a true picture of your income and expenses, which makes it difficult to analyze your company's fiscal health and plan for the future.

What's in the Chart of Accounts?

There are two types of accounts. One contains information that's used in the **Balance Sheet** report. These accounts will have a number in the **QuickBooks Balance** column that's based on all transactions up to the current date. They include **Assets** (bank accounts, accounts receivable, inventory, etc.), **Liabilities** (unpaid bills, credit cards, payroll and sales taxes, loans, etc.), and **Equity**.

The remainder of the accounts are used in the **Profit and Loss** report, otherwise known as the **Income Statement**. They're divided into **Income** (sales, discounts given, etc.), **Cost of Goods Sold** (labor, shipping, materials and supplies, etc.), **Expenses** (advertising, insurance, payroll, etc.), **Other Income**, and **Other Expense**. You won't see a number in the **QuickBooks Balance** column for these accounts because the **Profit and Loss** report changes based on the date range selected.

Should I ever make any modifications to my Chart of Accounts?

*You can set up bank and credit card accounts in QuickBooks **Chart of Accounts**.*

As we stated earlier, you typically won't need to modify your Chart of Accounts much. However, there are two exceptions to this. You'll want to create entries for your bank and credit card accounts so that you can reconcile them each month. To do this, first open the Chart of Accounts. When it opens, click **New**. Choose **Bank** or **Credit Card** and fill in the blanks.

Do I need to use account numbers in the Chart of Accounts?

Generally, the smaller the business, the less need there is for this. If your business is big enough that you have dedicated A/P and A/R individuals, you may want to post transactions to account numbers. When we return your business tax returns we often provide a tax return trial balance and proposed adjusting journal entries. Our reports do utilize account numbers, which you may choose to match.

Understanding Reports

QuickBooks makes it possible for you to view the Chart of Accounts and those two critical reports, Balance Sheet and Profit & Loss. Customizing and analyzing them, is something we would be happy to consult with you about. We're happy to help here and in other advanced areas of QuickBooks.

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.

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