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Could You Be Required to File in Another State?

Submitted by Matt Pletcher, CPA

You've always taken time to make sure your taxes are filed on time. Your accountant assists you in preparing your Indiana and Federal return, so you shouldn't have to worry, right?

Not so fast. Your business activities in another state, could create a filing nexus in that state. Your accountant may not even be aware of your activities in another state unless you have informed him or her.

Michigan is actively seeking out Indiana businesses where, it claims, their activities in Michigan require them to file in Michigan. What are these activities? They include the following:

- Actively soliciting sales to customers located in Michigan for more than 2 days a year. This includes maintaining a website that Michigan customers can access and place orders.
- Delivering goods to Michigan in company owned trucks. This is becoming common among many Indiana suppliers as some of the major RV companies are now building manufacturing plants in lower Michigan.
- Owning or leasing property in Michigan.
- Performing warranty services for customers located in Michigan, including not only your employees but outside contractors who represent you. This includes repairs and regular maintenance.
- Assemble, install, or supervise after shipment or delivery of product.
- Handling customer complaints while visiting customers in Michigan.

It is important to evaluate your activities before Michigan requires you to. Michigan currently has a voluntary disclosure process available to limit your exposure to 3 years of unfiled returns and allows you to waive penalties and interest. However, that is only available if you have not been contacted by Michigan for audit. Without the voluntary disclosure process, you run the risk of being assessed unpaid taxes for as many years it is determined you or your company was required to file.

On a positive note, Indiana allows a credit for taxes paid to Michigan. However, it is only available for the two preceding years. This means that if you are assessed in Michigan for 10 years of non-filing, you can only claim credit in Indiana for the two most recent years.

If you think you might be at risk, please contact us. We can help you work through a Michigan Nexus Questionnaire or determine any other states you might need to report to. We can also assist you in preparing an application for Voluntary Disclosure to limit your tax, penalties and interest if any.

Important Dates

March 31

- Forms 1095-B and 1095-C due to the IRS, if filing electronically. Employers who have 250 or more employees are required to file electronically.

April 18

- 2016 calendar-year C corporation Form 1120 income tax returns are due.
- Individual Form 1040 income tax returns are due





Note the date is not April 15



2016 proof of health insurance: the Form 1095 wrinkle

need to prove you have adequate health insurance, the suppliers of the Form 1095-B and Form 1095-C were given until as late as March 2 to get the form out to you.

What to do

-  If you have health insurance through a state or federal marketplace, you will receive a Form 1095-A. You should have already received this form, and you must have it prior to filing your tax return.
-  If you receive health insurance through your employer, or another program that generates Form 1095-B or 1095-C, for 2016 only, you can still file a tax return without receiving the form. Just make sure you can prove health insurance coverage for you, your spouse, and your dependents for the year.
-  Place Form 1095 in your tax files. Even though some Forms 1095-B and Forms 1095-C will be received later, you must still retain the form in your files.
-  If you file your tax return and then discover an error in your reporting based on a Form 1095-B or Form 1095-C received after February 1, there is penalty relief from the IRS if you need to amend your tax return.

Remember, this applies to the 2016 tax year only. For the 2017 tax year, unless changed, you will be required to use a Form 1095 as proof of health insurance prior to filing your tax return.

Under the current Affordable Care Act (ACA), all Americans must have health insurance. If you receive your health insurance through the ACA marketplace or from your employer, you will receive a Form 1095. This form is used as documentation that you have adequate insurance and is used for other ACA reporting and potential tax benefits.


What's happening now




Prior to filing your tax return you should receive your Form 1095 and review it for accuracy. If you receive your health insurance through a state or federal marketplace you will receive Form 1095-A. Otherwise your version of the form will be either Form 1095-B or Form 1095-C. Unfortunately, some providers of the “B and C” versions of Form 1095 are still having trouble issuing the forms on time. Because of this, the IRS has issued a notice backing off on this “receive the form before you file” requirement. While you will still

Current tax law requires health insurance

During his first week in office, President Trump signed an executive order asking federal agencies to reduce the economic burden the Patient Protection and Affordable Care Act (ACA) puts on American citizens.

Unfortunately, this executive order is causing confusion. Many people are left wondering if fines will no longer be imposed or rules no longer need to be followed. Until the agencies impacted by this executive order publish their intent, act as though current laws are still in play. This includes:

-  The requirement to have health insurance

-  The requirement to pay a shared responsibility tax if you do not have continuous health insurance coverage
-  The ability to receive a health insurance premium credit if you qualify
-  Possible health insurance credits for qualifying small businesses

It's important to realize that unless tax laws actually change, you are expected to follow the laws as they are currently written.

Common errors have helped to make the Earned Income Tax Credit (EIC) a major source of what the IRS calls “improper payments.” The agency estimates that of the \$66 billion in EIC funds paid in 2015, nearly a quarter were collected by filers who didn’t qualify to receive them. To help combat this problem, the IRS now requires additional confirmation of information regarding the EIC and three new credits beginning in 2016.

Now if you claim the EIC, the Child Tax Credit (CTC), the Additional Child Tax Credit (ACTC), or the American Opportunity Tax Credit (AOTC), additional information may be requested of you.

For the CTC and ACTC, you may be asked how long your

If a significant portion of your company’s balance sheet consists of inventory, you may find that “shrinkage” — the variance between physical inventory counts and amounts recorded in your company books — is the culprit behind declining profits. A little digging, especially if you’re in a retail business, may uncover an unsettling reason for numbers that don’t add up: employee theft. Studies have shown that, on average, retail workers steal more inventory than shoplifters.

What steps can your company take to mitigate this risk?

- **Use security cameras.** If you suspect inventory theft may be an issue, consider installing cameras in employee and customer areas, including stock and break rooms. Periodically review video footage. Let employees know that the cameras are active and being monitored.
- **Monitor trash bins.** Dishonest workers sometimes

Income Tax Provisions Under Discussion:

The following charts display changes in the tax provisions as proposed by President Trump and the House GOP. Stay tuned for further developments as the actual legislation is anticipated to occur later this year.

INDIVIDUAL INCOME TAX PROVISIONS

Provision	Trump Plan	House GOP Plan
Tax rates	Three Brackets: 12%, 25% & 33%	Three Brackets: 12%, 25% & 33%
Investment income	Same as current	At half of tax bracket rate, includes interest income
Deduction/exemptions	Standard deduction of \$15K single/ \$30K joint, no exemptions	Standard deduction of \$12K single/ \$18K single with child/ \$24K joint, exemption for children only - \$1,500
Itemized deductions	Capped at \$100K single/ \$200K joint	Eliminated except for mortgage interest and charitable contributions
AMT	Repeal	Repeal
Estate tax	Repeal, tax gains of appreciated assets subject to \$10 million exemption	Repeal, repeal GST

BUSINESS TAX PROVISIONS

Provision	Trump Plan	House GOP Plan
Corporate rate	15%	20%
Pass-through rate	15% on profits retained in business	25% on active business income, "require" reasonable compensation
Capital expenditures	Election for full expensing available to U.S. manufacturers	Full expensing except for land
Interest expense deduction	Unavailable if electing full expensing provision	Unavailable for net interest expense
AMT	Repeal	Repeal
Repatriation	10% on deferred foreign income	8.75% on cash and cash equivalents, 3.5% on non-cash assets
International system	Worldwide with no deferral	Territorial, border adjustment regime affecting imports and exports

Indiana's Identity Protection Program

Provided by the Indiana Department of Revenue

The Indiana Department of Revenue again will implement the Identity Protection Program for the 2017 tax season. This program is designed to not only stop fraud, but to deter fraud in the state of Indiana. Since its inception in 2014, the Identity Protection Program has stopped more than \$100 million in fraudulent refund attempts.

Security Features

To prevent taxpayers' refunds from being stolen, the department will use the automated identity verification services of LexisNexis to help confirm the identities of all Hoosier taxpayers due a refund in 2017.

Identity information from individual income tax returns is checked against the LexisNexis identity verification database. This database confirms that the person submitting the return is who they say they are. Approximately 95 percent of all taxpayer returns are confirmed and moved into processing at this step.

Identity Confirmation Quiz

Some taxpayers will receive a letter from the department asking them to take the Identity Confirmation Quiz. It is important that taxpayers who receive this letter confirm that the names(s) and address information at the top of this letter matches an Indiana income tax return they recently submitted. If the information is not correct or the taxpayer did not file a tax

return for the indicated year, he or she should NOT complete the Identity Confirmation Quiz, but rather call the department at the number indicated on the letter.

Taxpayers whose information is correct must complete the Identity Confirmation Quiz. Tax preparers are not notified that clients are selected to take the quiz because each taxpayer is responsible for taking the quiz. The quiz will be the same as in previous years. It contains three to four questions for which only the taxpayer would know the answer. Each taxpayer selected has two attempts to take the quiz via our secure website. After successful completion of the quiz, the taxpayer should receive his or her refund on time—within 14 days if electronically filed and within 12 weeks if filed by paper.

Those who do not pass the quiz in two online attempts will be asked to contact the department at a special number where they have an additional chance to take it via telephone.

Currently, only about 5 percent of taxpayers are selected to take the quiz. Those selected to take the quiz are not suspected of committing identity theft.

Resources

1. A small handout about this program that you may provide to clients can be found at www.in.gov/dor/5077.htm
2. Indiana Department of Revenue's Stop ID Theft website: www.in.gov/dor/4794.htm
3. Indiana Attorney General's ID Theft Prevention Toolkit: www.in.gov/attorneygeneral

Making the most of your tax refund

If you are expecting a tax refund, you might consider investing your refund or using it to increase your financial security. While everyone's needs are different, here are some optional uses of your refund that may work for you.

Contribute your refund to your employer's 401(k) plan. If your employer offers a matching contribution, that's an immediate return on your money in addition to deferring taxes on your contribution. And, funds in the plan grow free of tax until withdrawal.

- Use your refund to pay down credit card balances – you'll earn a guaranteed double-digit return.
- Consider investing your refund in your child's education. Both Section 529 college savings plans and education savings accounts offer tax-advantaged ways to save for college costs.

- Take full advantage of your IRA options for retirement savings. Both Traditional and Roth IRAs are great ways to save for retirement.
- If you've maximized your retirement and education savings, and your credit cards are under control, put your refund in diversified investments that make sense for your age and financial situation.
- Ask yourself if getting a big refund every year is a smart idea. Would you rather invest your money during the year instead of making an interest-free loan to the government? If so, consider filing an updated Form W-4 with your employer.

Contact our office if you have questions about getting more out of your tax refund



SPOTLIGHT ON INSIGHT

Meet our newest team member – Ronda Chupp.



Ronda grew up in the Wa-Nee area in a business family with extensive community involvement. She was the first woman in her college to receive the Wall Street Journal award for outstanding business student of the year. She enjoys accounting and tax work,

most recently serving as office manager for a growing accounting firm.

Ronda is an active member of the Elkhart County 4-H Fair Board as well as TCF Mercy, Inc. which provides orphan care in Mozambique. She and her husband have traveled to 17 countries, highlighted by riding in an open Jeep surrounded by a pride of lions while on an African safari, walking the Via Delarosa in Jerusalem, and experiencing constant fireworks explosions in Hong Kong during Chinese New Year. When home, she enjoys flower gardening, family vacations, and walking. She and her husband, Steve, have three married daughters and seven delightful grandchildren.



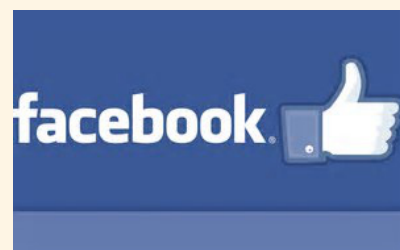
Director Danielle Thompson

has been selected to be the Chair of the Audit & Investment Committee for Greencroft Communities.



Principal Robert Mendoza

is now a member of the South Bend Rotary Club.



Our facebook page is another great source of information, including Insights about our team members and our firm. Additional content not included in our newsletter is posted regularly. This spring we will also be launching a blog page making it easier for you to locate current and past articles important to you.

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.