JOHN MORRISSEY ACCOUNTANTS, INC.
WHERE CLIENTS REFER FRIENDS

THE MORRISSEY REPORT

www.johnmorrissey.com **Fall 2016**

From the Desk of John F. Morrissey

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As we move into the fall season, I always face it with mixed emotions. The beauty of fall colors are awesome, the air is crisp and for the most part we are neither, too hot or too cold, so we need something else to be our conversation starter.

We do however, in our business, need to start thinking about tax season. And it is our responsibility as our client's advisors to ask them to start thinking about year-end tax strategies.

The first question from clients is "are there any changes this year"? The answer is yes but I do not know at this time if the changes will have any affect on your taxes. This is the point at which dialog must begin. Many times this can happen over the telephone but more often than not it is still best to meet face to face. I have found over the past 50 years, that the actual meeting gets to the issue more effectively and in most cases brings about issues that the taxpayer had not thought about or knew could have an impact on their tax liability.

As I am writing this article I received a call from a client about Capital gains tax. The answer to his question was the capital gain tax rate for those in a 15% tax bracket is 0%. However, it is my suggestion that you check with our office to be sure that the amount of capital gain does not create other issues that become taxable and therefore cause a tax liability.

Capital gain tax rates are the lowest that I have seen in the 50 years that I have been preparing tax returns. None of us know how long we will receive this favorable treatment. So, you may want to look at your investments in a way that could reposition your holdings.

So as we head into fall we need to do some planning. As we remember Aesop's fable about the grasshopper and the ant, we need to ask ourselves this question. Which are we, the ant preparing for tomorrow or the grasshopper hoping tomorrow will work out ok.

Focus On The Community

ROCKFORD SYMPHONY ORCHESTRA
Steven Larsen, Music Director

Rockford Symphony Orchestra:

The mission of the Rockford Symphony Orchestra is "to enlighten, educate, and entertain through symphonic music," with a vision to continually grow the number of people we connect with each year. Our priority is to expand education opportunities for youth and adults, and we are excited to announce new initiatives this season, including podcasts, a lecture series, and new family-friendly activities. We work closely with Rockford Public Schools to ensure that music education is available for each and every student. If you have not had the opportunity to experience the Rockford Symphony Orchestra (RSO) LIVE, our 82nd is the season to do it.

Some of the highlights in our 2016/17 Season include: RSO's upcoming Holiday Pops is Rockford's largest holiday musical tradition for area families. The RSO has the pleasure of welcoming the Mendelssohn Chorale for two concerts performing the most beloved music of the season, from popular to traditional and sentimental to sacred.

We are pleased to welcome John Morrissey Accountants on April 1, 2017 as sponsor for "I Hear A Symphony, Motown's Greatest Hits" featuring Broadway singers Mandy Gonzalez, Joy Lynn Jacobs, and Destan Owens performing great songs like I Heard it Through the Grapevine, ABC, Stop in the Name of Love, Respect, and much more!

The RSO has a very special add-on concert this year, "An Evening with Kristin Chenoweth". The remarkable Emmy and Tony Award-winning actress and singer Kristin Chenoweth will join the RSO for an unforgettable evening under the stars of the Coronado Performing Arts Center.

In addition, our classics series includes Great Choruses and Overtures from Operas, the return of violinist Rachel Barton Pine, a Father/Son duo featuring Brahms, multi-Grammy Award winner Howard Levy playing the diatonic harmonica, and our finale, Strauss' Last-Mahler's First.

The Rockford Symphony Orchestra strives to provide opportunities for all members of the community to enjoy the rich experience of attending our classical music concerts. The RSO offers student tickets for all series concerts for $7, free tickets to veterans through Vettix, and makes tickets available through our the "Share Seat Program". We would love to have you in the audience of the Coronado for one of our upcoming concerts! Our full schedule can be found on our website, HYPERLINK "http://www.rockfordsymphony.com" rockfordsymphony.com. For tickets call 815-965-0049 or stop by our box office on the second floor of the Riverfront Museum Park.

In This Issue...

Do My Employees Ever Have to Be at Work? Illinois Enacts New Leave Obligations

By Sam Castree
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August has been a busy month for Illinois employers trying to keep up-to-date on their employee leave obligations. Three recently enacted statutes - the Illinois Child Bereavement Leave Act, the Employee Sick Leave Act and amendments to the Victims' Economic Security and Safety Act – place additional leave requirements on Illinois employers.

Child Bereavement Leave Act. Many Illinois employers already provide bereavement leave to their employees. Effective July 29, however, the Illinois Child Bereavement Leave Act mandates that certain employers provide grieving parents with up to 10 work days of unpaid leave upon the death of a child.

– Covered Employers and Employees. Employers covered by the federal Family and Medical Leave Act ("FMLA") are subject to the Act. Likewise, employees eligible under the FMLA are eligible employees under the Act.

– Reasons for Leave. An eligible employee is entitled to leave upon the death of a child. The term "child" is defined to include "an employee's son or daughter who is a biological, adopted, or foster child, a stepchild, a legal ward, or a child of a person standing in loco parentis."

–Leave Benefit. The Act provides 10 work days without pay upon the death of a child to: (1) Attend the funeral or alternative to a funeral; (2) Make arrangements necessitated by the child's death; or (3) Grieve the child's death. The employee may substitute paid leave for an equivalent period of bereavement leave.

– Restrictions. Bereavement leave must be taken within 60 days after the employee receives notice of the child's death. Employees are also to give at least 48 hours' notice of the need to take bereavement leave, unless providing that notice "is not reasonable and practicable." Employers may also require certification of the need for leave. Finally, in the unfortunate instance of multiple deaths in a 12-month period, the employee is entitled to a total of 6 weeks of bereavement leave.

Employee Sick Leave Act. To address the first concern that probably popped into most employers' heads – no, this law does not require you to provide paid sick leave benefits to employees (although I'm sure many of you already do). Rather, the law provides that sick leave can be used for a family member's illness or injury. If you do provide sick leave to an employee, then you must allow the employee to use that sick leave for absences "due to an illness, injury, or medical appointment of the employee's child, spouse, sibling, parent, mother-in-law, father-in-law, grandchild, grandparent, or stepparent." Employers with paid time off programs that provide these benefits are not required to amend their policies.

Employers can limit the amount of sick leave an employee may take for family reasons. The use of sick leave for family illness or injury can be limited to "the personal sick leave that would be accrued during 6 months at the employee's then current rate of entitlement." In essence, an employee can use one-half of his or her annual sick leave for the family purposes outlined in the statute.

The law is effective January 1, 2017, and applies to all Illinois employers.

Victims' Economic Security and Safety Act. The Victims' Economic Security and Safety Act ("VESSA") was enacted in 2003. It is akin to Family and Medical Leave for victims of domestic or sexual violence, and to a family or household member of a victim of such abuse. Originally, it only applied to employers employing 50 or more employees. The leave benefit was 12 weeks in a 12 month period. In 2009 VESSA was amended to cover employers sized 15 – 49. The leave benefit for these smaller employers was 8 weeks.

Effective January 1, 2017, VESSA will apply to all Illinois employers. The leave benefit required of larger employers has not changed. Employers of 1 – 14 employees must provide 4 weeks of VESSA leave.

Next Steps. Whenever there are legislative developments it often seems the case that there are two necessary reactions – educate your supervisors and revise your employee handbook. That seems like a good idea here too. Update the leave policies in your handbook and make sure management understands this new obligation.

Contigency Planning

By Heather Haime
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It's not uncommon in this era that employees do not stick around as long as they used to. It's almost shocking to hear that someone has been with a company for more than 10 years, 20 is nearly unheard of. Turnover happens and it's more common to see an employee change jobs around the 5 year mark. Even Monster.com has an article advising that you should not stay in a job for more than 4 years.

Amongst production staff, it is likely there is someone there that can "pick up the pieces", a shared job. But what happens when the departing employee is in a key role within a small business that may not have support staff or back up? What do you do to keep the business running with minimal interruption? An accountant, controller, CFO could be one of those positions that is very vital to the organization's leaders but may not have a staff member to fall back on.

What will happen when that CFO/Controller/Accountant leaves for his or her next big adventure? Do you have a backup accountant waiting in the wings? Does anyone else know the books well enough to be able to re-iterate the story of what happened in the business through the numbers? Would they be able to help keep the business on track and provide adequate information to the decision makers? Is there someone to watch the bank account?

Most people think of tax and audit work when accounting firms are mentioned, but what if they could be your back up controller as well? The firm could work with you as a consultant to jump in and keep the books accurate, provide the information needed, and maintain stability until a permanent team member is found to fill the role. Prior to an emergency happening, the firm could potentially visit your site, shadow the controller and keep abreast of any new business developments or changes to procedures. They would work with you to determine how much time needs to be spent to adequately obtain a working knowledge of your operations.

Planning is the key. Don't let your company get caught in a difficult position. The professionals at John Morrissey Accountants can help you set up a plan and then execute if it ever becomes necessary.

Increase in Information Return Penalties for 2016

(1098, 1099, W-2G and W-2)

By Brigitte Mickey, CPA
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All business returns (Form 990, 1120, 1120S and 1065, as well as Schedules C, E & F of Form 1040) for tax year 2016 will include these two "yes" or "no" questions:

**Did you make any payments in 2016 that would require you to file Form(s) 1099?
If 'Yes,' did or will you file required Form(s) 1099?**

These two questions are not new for 2016, but the federal government will now be more closely monitoring this section of the tax return for accuracy. There are sizeable penalties involved for non-compliance, both for tax payers and accounting professionals.

Per the IRS: Penalties for failure to file correct information returns and/or to furnish correct payee statements have increased and are now subject to inflationary adjustments. Information returns and payee statements include, for example, Forms 1098, 1099, W-2G and W-2.

– Beginning with the 2016 tax year, the due dates for filing Forms W-2 and W-3 with SSA will be January 31 of the following year, whether you file using paper forms or electronically.

– Form 1099-MISC will be due to the IRS by January 31 of the following year when you're reporting non-employee compensation payments in box 7. Otherwise, file by February 28 if filing by paper, March 31 if filing electronically.

– Employers must furnish Copy B and any other applicable copies of information returns to the employee by January 31 of the following year.

The penalty rates for failure to file correct information returns and/or to furnish correct payee statements, including inflationary adjustments if applicable, are shown below:

Time returns Filed/furnished	**Returns due 01-01-17 thru 12-31-17**
Not more than 30 days late	$50 per return
31 days late – August 1st	$100 per return
After August 1st or Not At All	$260 per return
Intentional Disregard	$560 per return No limitation

Penalties for Failure to File Correct Information Returns (Code Section 6721) may apply if you:

don't file a correct information return by the due date and a reasonable cause is not shown,file on paper when you were required to file electronically, fail to report a Taxpayer Identification Number (TIN), report an incorrect TIN, or fail to file paper forms that are machine readable.

Penalties for Failure to Furnish Correct Payee Statements (Code Section 6722) may apply if:

you don't provide a correct payee statement by the applicable date and a reasonable cause isn't shown, all required information isn't shown on the statement, or incorrect information is included on the statement.

The amount of the penalty is based on when you file the correct information return or furnish the correct payee statement. A penalty for failure to file a correct information return is separate from the penalty for failure to furnish the correct payee statement. For example, if you fail to file a correct Form 1099-MISC with the IRS and don't provide a correct Form 1099-MISC statement to the payee, you may be subject to two separate penalties.

Our accountants can work with you to properly file these returns and avoid potential penalties. Please contact us if we can be of assistance.

Is your business ready?

(401k changes are coming)

By Tish Adams
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On January 4, 2015, Illinois became the first state to require private-sector employers to join a state controlled retirement plan if it currently does not offer its workers retirement benefits. Therefore, all private and nonprofit employers doing business in Illinois with 25 or more employees will have to offer a plan to its employees. Employers with fewer than 25 employees can participate on a voluntary basis. Employees over 18 years of age will be automatically enrolled at 3% in the state program unless he or she chooses to opt out of the program.

The first state plan to be signed into law was the Illinois Secure Choice program that takes effect June 1, 2017. It is not intended to be an employer-sponsored retirement plan. It is a state-run program that employers facilitate. The employer's requirement is to offer the program to new workers, provide an annual enrollment period for ongoing employees, automatically enroll workers who do not opt out, and deposit worker payroll deductions into the fund. The employer is not responsible for program administration or investments.

What is the cost for non-compliance? Employer penalties for noncompliance are $250 per employee during the first year, then $500 per employee in subsequent years. If your business has 25 employees the minimal penalty is $6,250 and $12,500 respectively. That could be very costly if your business is not prepared. Any penalty imposed due to a violation of any law is not deductible. Double ouch.

Do you want to comply or provide your employees with a more optimal plan? Our sister company, Staff Management, offers an outstanding multi-employer plan with access to the highest quality providers available. By combining investment management and administrative tasks for various employers, we provide our clients access to a 401K plan that typically costs much less than a traditional single-employer 401(K) plan. John Morrissey Accountants and Staff Management can work together with you to discuss the many options available to you.

We also know it takes resources to set up a plan and to educate employees about the plan. Well your business is in luck. There is a tax credit available to help offset some of the costs associated with starting a SEP, SIMPLE IRA, or a qualified plan. The credit is 50% of ordinary and necessary costs, which include plan setup and employee education, up to $500 per year for the first 3 years of the plan. The credit does carry forward or backward if your business is unable to take the credit in the current year. Please contact John Morrissey Accountants with any additional questions you may have regarding this tax credit.

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"Autumn carries more gold in its pockets than all the other seasons."
~ Jim Bishop ~

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