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If Prince Didn't Need Estate Planning, Why Do I?

By Cliff Acheson

You can probably say, without stretching the truth too far, that you've heard it a hundred times: "You need a will!" Now, your procrastination is validated—even Prince Rogers Nelson, with an estate worth hundreds of millions of dollars, and multiple businesses, did not have a will when he died this April. Surely you do not need one either!

Not so fast: Prince needed sound estate planning, beginning with a will, and you do too. Without good estate planning, a large portion of Prince's estate (and yours, whatever the size) will likely be turned over to the government, attorneys, and other professionals.

A will prepared by a skilled attorney is the basis of good estate planning. Many assets can actually be kept out of the will by using trusts and transfer-on-death accounts, and other estate planning tools, but for assets that do not automatically transfer, the will spells out who will serve as executor and who will receive the assets you own. You get to choose who will take care of everything you owned, as well as how everything you owned gets distributed and who receives it. With a will, and other proper beneficiary designations, the process is quick and simple. Your executor takes the will to the proper official in the county where you lived; the official says, "Yes, this is the will. Distribute the assets according to this will," and everything that you want to happen will happen.

If you do not have comprehensive estate planning in place, the experience is much different. The official in your county will decide who is in charge of your estate. The administrator that the official appoints could be a close relative, but does not have to be. Almost anyone who can show they have some connection to you can apply to be the administrator for your estate, and if they make a good enough case, they can be appointed to take care of all your affairs. Usually, this is someone close to you, but you can remove all doubt by having a will.

At this point you might be thinking, "Ok, I need estate planning. Someday." Prince was only 57 years old when he died, and he probably had many attorneys, CPAs, and other advisors telling him to get his affairs in order; but he put it off until it was too late. "But it will be a lot of work, and where do I start?" Sciarabba Walker offers a simple two-page checklist that guides you step-by-step through the process of creating a plan for taking care of your estate and your loved ones. It covers all of the items that should be put in order so that you will have the peace of mind knowing that after you die, your estate will be taken care of by someone you trust and in the manner you choose.

Still not sure if this matters to you? Consider this: if you have had any twists and turns in your life—maybe a remarriage, or change in jobs, for example—your estate can be complicated in ways you did not even think about. The beneficiary of a life insurance policy may still be someone who was significant to you years ago but not necessarily now. Legal beneficiaries now may be someone who was not even originally named as a beneficiary. Also, you cannot exclude anyone from being a beneficiary without a will.

Without suitable estate planning, Prince left the distribution of all his assets (and control over his music and businesses) to chance. You do not have to do the same. We can help you get started on sound financial and estate planning. For a copy of our "Estate Planning Essentials" checklist, email Jennifer Cremerius at jcremerius@swcllp.com.

Upcoming Changes in Accounting for Leases

By Ethan Mancil

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02 Leases (Topic 842). The new standard will require lessees to recognize lease assets and liabilities for all leases on their balance sheets, with certain exceptions. The standard must be adopted for reporting periods beginning after December 15, 2018, for public business entities and one year after that for all nonpublic entities. The new standard applies to public, private, and nonprofit entities. All entities may elect to adopt the new standard early.

Lessee Accounting

The new standard will require recognition of an asset (right-of-use, or ROU asset) and liability for both operating and financing leases, which initially will be measured at the present value of the lease payments. Lessees will be allowed to make an accounting policy election (on the basis of class of underlying asset) to not recognize lease assets and liabilities for leases with terms of 12 months or fewer, if so desired. Differentiation between capital/financing (type A) and operating (type B) leases will still be required, given that income statement treatment is different between the two.

In addition, this classification now will be made based on whether the lessor has transferred substantially all the risks and rewards incidental to ownership of the underlying asset, rather than the previous lease requirements ("bright lines") used to make this determination. Type A leases will require the lessees to recognize amortization of the ROU asset separately from interest on the lease liability, whereas type B leases will simply recognize a single total lease expense.

Lessor Accounting

Although the method for determining the type of lease has changed, lessors will account for leases using an approach substantially equivalent to existing US Generally Accepted Accounting Principles (GAAP) for sales-type, direct financing, and operating leases. Additionally, selling profit will be recognized at commencement only for sales-type leases, which aligns with the new revenue recognition standard (ASC Topic 606). Lessors now will also be required to assess collectability and impairment of the leases, which could affect accounting treatment and may result in the need to record an allowance for leases receivable.

Implementation of the new standard will require significant effort for a majority of entities. Those entities should begin to analyze the effect this may have on their financial reporting as soon as possible by identifying all leases, summarizing this information, and determining the accounting treatment required under the new standard. Please contact us for assistance if you encounter any difficulties in preparing for implementation of this new standard.

Social Media Offers Client and Community Engagement

By Jennifer Cremerius

While social media allows individuals to connect with each other in unique and innovative ways, it also provides businesses and other organizations with a way to stay engaged with their communities.

Sciarabba Walker embraced social media channels like Facebook and Twitter to stay involved in our local community while also sharing content with our friends and clients across the country. Because our firm was founded on a dedication to active community involvement, social media provides us with a perfect opportunity to share with others how we are participating in and supporting the community. From wellness talks and radio spots to local sports team sponsorships and nonprofit fundraisers, we take great pride in maintaining an active presence in the Ithaca and Cortland regions.

We also emphasize sophisticated services with a strong dedication to client service. To achieve these goals, we stay active in our profession by staying on top of the latest tax regulations and developments. We follow what's happening in our fields of expertise, because we want to serve our clients with the comprehensive knowledge and skill needed to provide expert solutions and guidance.

As we stay up to date on news related to our services, we often like to share that knowledge with our clients and friends. LinkedIn, for example, provides an excellent avenue for us to distribute this information quickly and to a diverse audience of professionals. We share information on everything from important regulation updates affecting small businesses to tax planning tips for individuals.

As we continue to evolve and grow, we hope you will keep in touch through our social media channels. Visit us on Facebook, Twitter, and LinkedIn for updates, exclusive content, event photos, and more.

Updates to the De Minimis Safe Harbor Election

By Sveltana Svetlichnaya

The final tangible property regulations issued by the IRS in late 2013 provide clearer guidance on when to capitalize certain costs and when costs can be deducted in the year incurred. The regulations stipulate that taxpayers are required to capitalize amounts paid to acquire or produce a unit of real or personal property, but introduce several safe harbors that allow for immediate deductibility even if the item would be capitalized under the general rules.

One of these safe harbors, the de minimis safe harbor, permits a taxpayer to expense purchases under an allowed amount, given that the taxpayer has a capitalization policy in effect prior to the beginning of the tax year.

The initial regulations permitted taxpayers with audited financial statements to expense any item less than $5,000, provided there was a written capitalization policy in place supporting the allowable limit. For taxpayers without audited financial statements, the maximum threshold for expensing dropped to $500 per item. Although a capitalization policy was still required for all taxpayers without audited financial statements, the policy was not required to be in writing.

In late November 2015, however, the IRS issued Notice 2015-82, effectively increasing the de minimis safe harbor limit from $500 to $2,500 for taxpayers without audited financial statements for tax years beginning on or after January 1, 2016. The threshold for taxpayers with audited financial statements remains unchanged at $5,000 per item.

While the new threshold is effective for tax years beginning on or after January 1, 2016, the IRS has stated that audit protection will be provided to taxpayers without audited financial statements who have used a threshold higher than $500, but less than the new $2,500 limit prior to 2016, provided a capitalization policy supporting the higher threshold limit was in place at the beginning of the tax year.

To use the de minimis safe harbor, businesses must have accounting procedures in place on the first day of the tax year that allow for expensing of items consistent with the guidelines established by the IRS. Failure to establish these procedures in a timely manner may result in having to capitalize amounts that might otherwise have been expensed. Also, the taxpayer's timely filed original tax return must include an annual election to expense items addressed by the safe harbor provision. The annual election is irrevocable and generally applies to all tangible property purchased during the year.

Should you need help in establishing a capitalization policy or wish to discuss the de minimis safe harbor election in more detail, please feel free to contact our office for assistance.

Beware of Phishing Scams to Help Protect Your Identity

By Taylor Moore

Phishing is a type of scam typically carried out through unsolicited email or websites that pose as legitimate sites and lure unsuspecting victims into providing personal and financial information. Phishing typically is related to identity theft, with scammers often seeking information to open bank accounts or credit cards, apply for loans, or even to file fraudulent tax returns.

The IRS has seen various types of scams. The most common phishing scams include emails and phone calls from someone claiming to be from the IRS. Reports of fraudulent letters, notices, and faxes have also been reported. As the IRS often communicates via mail correspondence, fraudsters often modify legitimate IRS letters. If you receive correspondence claiming to be from the IRS, you can attempt to verify it on the IRS website or by calling 1-800-829-1040. Your accountant may also be able to help or contact the IRS on your behalf.

It is important to remember that the IRS does not initiate any contact with taxpayers by phone, email, text messages, or social media channels. The best way to avoid becoming a victim of a scam is to be suspicious of any request for personal information or urgent action if you were not expecting it.

If you receive a suspicious email or find a suspicious website, do not click on any links or open any attachments—these often contain malicious codes that may infect your computer or mobile phone. Report emails, calls, and websites claiming to be the IRS to phishing@irs.gov. If you receive a phishing email that does not claim to be from the IRS, forward the email as-is to reportphishing@antiphishing.org. Scammers and fraudsters are adapting their efforts; we need to do the same to avoid becoming victims.

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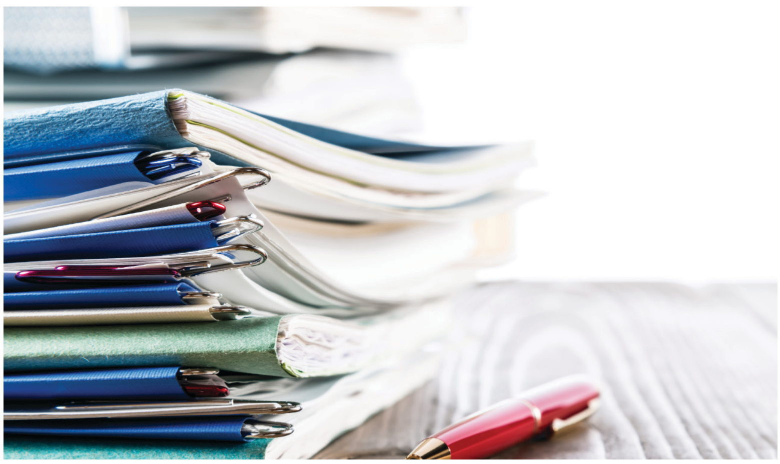
RETURN SERVICE REQUESTED

New Filing Deadlines for Partnerships and Corporations

By Jennifer Cremerius

Another tax season is behind us, but it is never too early to prepare for the next one—especially when important deadlines are changing. As part of the Highway Funding Bill, which was signed into law last year, Congress changed a number of tax filing deadlines, including those for partnerships and C corporations as well as certain tax-exempt entities. The changes are designed to create a more logical flow of necessary tax information, which can in turn help taxpayers and tax professionals prepare returns efficiently and on time.

Beginning with the 2017 filing season (for 2016 returns), the due date for partnership tax returns is changing from April 15 to March 15, and the due date for C corporation returns is changing from March 15 to April 15. In other words, the partnership return due date is one month earlier, and for C corporations, it is one month later.



The new law allows for a six-month extension, with exceptions for certain corporations through 2026. These changes apply to returns for tax years beginning after December 31, 2015, but with one exception: C corporations with fiscal year-ends of June 30 have 10 extra years (yes, years) to make the change.

The legislation also affects trusts and estates. The extension date for trust and estate form 1041 has been pushed back from September 15 to September 30, providing trusts an extra two weeks after receiving their extended partnership and S corporation Schedules K-1 to complete their extended tax returns. And while many deadlines have changed for the upcoming tax year, it is important to note that there are no changes to the individual form 1040 due dates or the due dates for foreign trusts with a US owner (form 3520-A).

With all of the changes to tax deadlines, it is important to keep track of when certain returns are due to avoid penalties or last-minute mix-ups. You can view a comprehensive chart of the new original and extended due dates at www.aicpa.org.

We also are happy to discuss the deadline changes with you to help you set up for success in the upcoming tax season. Feel free to reach out to us at info@swcllp.com.