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FBAR Filing Deadline Change

Beginning with the FinCEN Form 114, *Report of Foreign Bank and Financial Accounts* ("FBAR"), that is due in 2017 for the 2016 calendar year, the filing deadline for the FBAR has been changed from June 30th to April 15th. A six-month extension until October 15th is available upon request by the taxpayer, which was previously not an option.

An annual FBAR must be filed with the Treasury whenever a taxpayer has an interest in, or signature authority over, a foreign financial account(s) with an **aggregate value over \$10,000 at any time during the calendar year**. It makes no difference if the average amount in the account(s) during the year is less than \$10,000 or all the money is withdrawn by the end of the year. If the account(s) held more than \$10,000 any time during the year, the FBAR must be filed.

Moreover, the FBAR filing requirement is not limited to foreign accounts containing cash. You also need to file a FBAR if a foreign account has non-monetary assets of more than \$10,000. For example, the cash surrender value of a life insurance policy is such a non-monetary asset.

The FBAR filing requirement is not part of filing a tax return. The FBAR is filed separately and directly with FinCEN, the Financial Crimes Enforcement Network, online.

The penalties for failing to file FBARs are severe. There is a maximum \$10,000 penalty if your failure to file was inadvertent. However, if you are found guilty of willfully not filing a FBAR, the penalty may be the greater of \$100,000 or 50 percent of the balance in the account at the time of the violation.

Please contact PPG Partners, LLC if you would like assistance filing your 2016 FBAR.

Your Shareholder Loan Must Have a Loan Agreement

As a Shareholder, if you loan your corporation money you must have a sufficient shareholder loan agreement ("promissory note") on record. Without a promissory note, the IRS can, and has, determined that your investment into the corporation was equity and not debt. This can result in repayments of the loan generating unexpected taxable income to you, the shareholder.

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(Cont. from page 1) Your Shareholder Loan Must Have a Loan Agreement

A sufficient promissory note will contain an unequivocal promise to repay the loan, at a fixed maturity date or in installments on specified dates, and an interest rate, which should equal at least the applicable federal funds rate (the “AFR”). Shareholders may also want to consider including in the note periodic adjustments of the interest rate to keep it commercially reasonable. Interest and principal payments should be made on time; if the payments are missed, the note should be amended.

Please contact PPG Partners, LLC if you need a promissory note prepared or amended.

How to Handle Patient Overpayments

(McGill Advisory) Practices are not free to leave patient credits (overpayments) on file and apply them to future treatments without the patient’s consent. It’s not up to the practice to decide whether they want to write refund checks for patient credit balances, it’s the law! Simply put, these funds belong to the patients, not the practice, so the practice is required to refund overpayments in any amount to patients. We suggest having a firm policy of making such refunds within 60 days after the last payment activity.

And what about those patient refund checks that are sent out but returned unclaimed? Well, there’s a law for that, too. Each state has an Abandoned and Unclaimed Property Act (AUPA) detailing how long a practice can keep a patient’s unclaimed refunds before it must be sent into the state, along with an unclaimed funds report. In many states, it’s just one year. The state then holds the property as custodian, and attempts to locate the patient to return the refund. If they are unsuccessful, the unclaimed property becomes a source of revenue for the state.

Cash-strapped states have been launching more unclaimed funds audits in recent years, in order to get “their money.” Often the auditors will ask for a staggering amount of information over a period of up to 10 years. If that information is not available, they will estimate what’s owed based on their examination of information from the most recent years that are available.

So if you haven’t been filing an unclaimed property holder report, contact your state’s agency and begin doing so. This will start the statute of limitations and help minimize or eliminate penalties for prior years if you are audited in the future.

Memorandum to Our Clients:

Reminder of your responsibility to maintain a complete Paid Invoice File for all expenditures deducted as expenses for your practice

We remind all clients each year that it is your responsibility to maintain a complete paid invoice file for each line item expenditure that you take a deduction for in your professional practice. You need to keep your paid invoices and make sure they get into your paid invoice file.

Cancelled checks and credit card statements with detailed line itemization of expenses are not considered adequate records by the authorities without additional source documents/invoices to back each item up. Monthly payments on credit cards are subject to the same line item documentation requirements and will be disallowed upon audit, without complete reconciliation to the monthly credit card statements along with the source documents/invoices which would be required to be produced.

We recommend that you maintain your paid invoice file either chronologically, by month, or organized by vendor and expense category, and segregate the file for each year. Always keep at least five (5) years of the paid invoice files.