

## BUSINESS AND TAX PLANNING IDEAS & TIPS

JUNE 2018

**Business Hours:** PPG Partners will be closed at **12:00 noon on Fridays through the end of the year**

### Thank You, Clients!

We would like to thank *you*, our treasured clients, for allowing us to provide you with tax services this year. We appreciate your business and enjoy working with and assisting you with your tax returns.

We are committed to providing you with the highest quality of tax preparation and excellent service, and hope that your experience during the 2018 tax season has been pleasant.

Once again, thank you for your business. We look forward to continuing to work with you throughout the year.

### FBAR Filing Deadline Extended to Oct. 15

Separate from reporting foreign financial accounts on their tax return, taxpayers with an interest in, or signature or other authority over, foreign financial accounts whose **aggregate value exceeded \$10,000 at any time during 2017**, must file electronically with the Treasury Department a Financial Crimes Enforcement Network (FinCEN) Form 114, Report of Foreign Bank and Financial Accounts (FBAR).

The deadline for filing the annual FBAR is now the same as for a federal income tax return. This means that the 2017 FBAR, Form 114, was normally required to be filed electronically with FinCEN by April 18, 2018. But FinCEN is granting filers missing the original deadline an automatic extension until Oct. 15, 2018, to file the FBAR. Specific extension requests are not required.

If you missed the deadline for filing your FBAR, we strongly encourage you to file it now. If you don't file your FBAR and the IRS assesses a "nonwillfulness" penalty, you will owe up to a \$12,663 fine per violation. If you don't file your FBAR and the IRS assesses a "willfulness" penalty, you will owe *the greater of* \$126,626 or 50% of the balance in the account at the time of the violation.

If you would like assistance in filing your FBAR, please contact PPG Partners.

### Employee or Independent Contractor?

We encourage all businesses and business owners to know the rules when it comes to classifying a worker as an employee or an independent contractor.

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An employer must withhold income taxes and pay Social Security, Medicare taxes and unemployment tax on wages paid to an employee. Employers normally do not have to withhold or pay any taxes on payments to independent contractors. While the latter may sound ideal, it is very important that you do not treat any employees as independent contractors. You could end up having to pay the employer and employee portions of the tax assessed, and pay penalties and interest on those taxes. You may also have to pay fees for services performed during an audit or to amend payroll reports and other forms.

Here are two key points for small business owners to keep in mind when it comes to classifying workers:

1. **Control.** The relationship between a worker and a business is important. If the business controls what work is accomplished and directs how it is done, it exerts behavioral control. If the business directs or controls financial and certain relevant aspects of a worker's job, it exercises financial control. This includes:

- The extent of the worker's investment in the facilities or tools used in performing services
- The extent to which the worker makes his or her services available to the relevant market
- How the business pays the worker
- The extent to which the worker can realize a profit or incur a loss

2. **Relationship.** How the employer and worker perceive their relationship is also important for determining worker status. Key topics to think about include:

- Written contracts describing the relationship the parties intended to create
- Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation or sick pay
- The permanency of the relationship
- The extent to which services performed by the worker are a key aspect of the regular business of the company
- The extent to which the worker has unreimbursed business expenses

## Household Employees and Workers' Compensation

When a family hires an individual to perform duties in or around their home, they are considered a "household employer." The IRS views the worker – whether a nanny, health aide, housekeeper, gardener, cook/chef, personal assistant, estate manager, etc. – as an employee of the family.

Depending on state law and how many hours an employee works for the family, the employer and employee will be subject to varying tax obligations. But are you aware that household employers may be required to carry Workers' Compensation?

**If you are a household employer in Illinois and your employee works 40 or more hours a week, you must purchase a Workers' Compensation policy.** An employer that knowingly and willfully fails to obtain this insurance may be fined up to \$500 for every day of noncompliance.

Household employers in Wisconsin are not required to carry Workers' Compensation. However, if you don't have a policy already, you should certainly consider purchasing one. **This insurance provides protection for you as the employer, since workers who accept benefits forfeit their right to sue you.** If you have an employee who does physical work – for example, an aide who does lifting – you may especially want to consider purchasing a policy.