

ClientLine®

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OPEN ENROLLMENT TIPS FOR EMPLOYEES

Open enrollment is on the horizon, which means workers will soon navigate their benefit options for the next year. Both new and seasoned employees need to carefully review benefit offerings to ensure they take full advantage of their choices.

HEALTH INSURANCE

A lot can change in a year, and coverage that worked last year may not be a good fit anymore. Understand the differences between PPO, HMO, and high-deductible plans. It may be worthwhile to compare each option, factoring in premiums, deductibles, copays, out-of-pocket maximums and possible tax savings.

LIFE INSURANCE

Employee benefits often include free or low-cost life insurance policies. Review your needs and how you'll want to protect your loved ones. Usually, these employer-sponsored policies are group plans, and they won't require underwriting or medical evaluations, which can be invaluable to anyone with preexisting conditions.

DISABILITY COVERAGE

Even younger workers can become ill or injured, which is why short-term disability

insurance can be a cost-effective way to protect their ability to earn an income. And since some employers may subsidize the cost for disability coverage, be sure you take advantage and secure coverage that fits your needs.

EXTRA, EXTRA

Don't overlook other perks your employer may offer. For example, HSAs and FSAs can help you save money for health care costs, and dental and vision insurance can cover expenses not included in medical insurance.

Most of the benefits are taken out of your paycheck, pre-tax, lowering your taxable income. Enroll only for benefits you need. And remember, when you leave the job, benefits end, which is why you may need to carry a personal life or disability insurance policy. Be sure to discuss your options with your tax and financial professionals.



Karen Petrucco
Account Manager

LTM Client Marketing

45 Prospect Ave
Albany, NY 12206

Tel: 518-870-1082

Toll Free: 800-243-5334 ext.505

Fax: 800-720-0780

kpetrucco@ltmclientmarketing.com
www.ltmclientmarketing.com

Employer Essentials for Open Enrollment

Here are some tips that may help your open enrollment go smoothly.

Be Concise

Employees can be overwhelmed with information overload about options. Provide a summary in easy-to-understand language about the different types of benefits you offer. Keep it simple by answering common questions like how much it will cost per paycheck and the key features.

Engage Employees

Develop a communication strategy that will reach all of your staff. This could include presentations or an FAQ page on your company's website that addresses common questions to keep your team in the loop.

Provide Assistance

Designate a contact person or team in your human resources department trained to answer questions and assist employees with enrollment. Keeping the process centralized reduces the chance of incorrect information circulating among your workforce.



FINANCIAL HEALTH CHECKLIST FOR SMALL BUSINESS OWNERS

Keeping your company running smoothly can be more than a full-time job, which can leave little time to focus on your financial goals. However, decision making without considering goals and your future may be something you might regret in the future.

BUDGET MANAGEMENT

Cash-flow problems strike most small business owners. But you can avoid them by creating and managing realistic budgets—at work and home. Monitor your income, expenses, inventory, and cash, adjusting and rebalancing when required to cover your fixed costs and maintain a cash reserve.

Also, meet with your tax professional regularly to maximize your business deductions. This may include timing of income and expenses and saving for retirement in the most tax-efficient way.

RISK MANAGEMENT

Protect your business with adequate insurance coverage. Businesses have any number of risks, and having coverage can alleviate some of your stress.

Perhaps the most important risk to cover is to ensure that your family will be financially secure should the unthinkable happen. Make sure you have adequate life insurance. Also, disability insurance to help protect your personal earnings potential if you're ill or injured and unable to work.

EYEING THE END

Even if retiring is a long way down the road, create a succession plan. Unpredictable events can hasten your exit. Identify and document who will take over the company in your absence, and, if that means selling it, determine how you'll get paid. Work with your legal, tax and financial professionals to properly draft required documents.

Client PROFILE...

Erin is a full-time employee and tutors her neighbor's 2nd grader in her home once a week. The neighbor generally pays Erin in cash but sometimes gives her tickets to sporting events or concerts instead of money. How much taxable income from her tutoring work does Erin need to report on her tax return?

The money Erin receives for her tutoring services is taxable income. The real question is whether the event tickets she receives are taxable. The IRS states that any payment received for services performed is taxable. This includes payments that take the form of goods instead of cash.

Erin needs to include the fair market value of the tickets she receives in her taxable income. And since Erin is considered self-

employed in regard to her tutoring services, she'll be able to deduct all of her business-related expenses, including study materials and office supplies. If Erin meets specific criteria, she may include a portion of her mortgage and utilities with the home office deduction.

Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you.

WHAT IS BACKUP WITHHOLDING?

Backup withholding is a tool the IRS uses to collect federal taxes on income that's not ordinarily subject to withholding, ensuring taxpayers ultimately pay all taxes they owe.

NO IDENTIFICATION

One of the most common scenarios where you'll see backup withholding is with payments to contractors.

Typically, you're not required to withhold taxes from disbursements you make to non-employees.

However, when using contractors in your business, you'll need to get their taxpayer identification number (TIN), which is most commonly obtained with Form W-9. This information is required so you can



report their payments on Form 1099 at the end of the year. But if any contractor fails to provide a TIN, the employer is required to withhold a flat 24% from all fees paid to that individual. This 24% is called backup withholding.

In some cases, you may have received a TIN and filed a 1099, but the IRS later notifies you that the TIN and the name of the business shown on the form don't match. In these situations, you're also required to make the backup withholding. And you'll report any tax withheld on the following year's 1099.

NEGOTIATE A RAISE

Asking for a raise can be nerve-racking. You'll need confidence, professionalism and an effective strategy when the time comes.

RESEARCH FIRST

Before you ask for a raise, look online to learn what the average salary is for your position and experience level in your location. It's essential to make sure that the increase you're asking for is within the appropriate range. Also, know how well your company is performing. Is business booming, or struggling? Recognizing



if your employer is in a financial position to increase your salary will impact how much of a boost you request.

REVIEW YOURSELF

The best way to convince your boss you deserve a raise is to bring up your specific accomplishments that helped the company achieve its goals. Demonstrate, if possible, how you add value to your team, and, if you've been asked to take on additional responsibilities, be sure to point that out too.

... Q & A

Q Our company was targeted by payroll scammers that resulted in data theft of employee W-2 information. What should we do?

A Time is of the essence in this situation. Quickly, but thoroughly summarize all the information that was compromised. Next, email the IRS at dataloss@irs.gov, and put "W2 Data Loss" in the subject line. Don't include any of the personal information that was compromised. Instead, provide your company name and contact phone number so someone at the IRS can call you.

Don't forget to reach out to your state taxing authorities to report the data breach and let affected employees know so they can immediately take steps to limit its impact.

Q I received a monetary settlement from a malpractice claim. Is the money I received taxable?

A Generally, successful litigants in a legal malpractice case are taxed on their gross settlement or award amount. Before the 2017 Tax Cuts and Jobs Act (TCJA), attorney's fees you incurred to litigate your case would have been deductible as non-business-related legal fees on Schedule A as a miscellaneous itemized deduction. But the TCJA eliminated this class of write-off, making the entire compensation amount taxable.

Monetary settlements for other types of malpractice claims (e.g., medical) generally aren't taxable if they compensate you for economic losses from medical expenses or lost wages.

ClientLine® SHORT BITS...

> AUDIT DECREASES

For 2020, the IRS audit numbers dropped, continuing a downward trend. The Service concluded nearly 510,000 audits resulting in taxpayers paying an additional \$12.9 billion in taxes, with a focus on those who didn't file and those with certain abusive transactions. Last year's audit count is down from 2019 figures, where 771,000 audits were wrapped up, resulting in an additional \$17 billion in tax revenue. These recent numbers reflect another downward trend at the IRS—staff size. In 2020, the Service had nearly 76,000 full-time equivalent positions, down from over 90,000 in 2010.

> ITEMIZED DEDUCTIONS

Fewer taxpayers are itemizing deductions on their personal tax returns. Using data from 2019 federal tax returns, nearly 17 million returns claimed \$637 billion in itemized deductions, while over 140 million returns took \$2.4 billion of standardized deductions. This large disparity is primarily caused by the 2017 tax reform laws that hiked the standard deduction and pared down itemizations. Taxpayers with adjusted gross income (AGI) of \$250,000 and above had the highest average itemized deductions amount—more than \$75,000, while taxpayers with under \$15,000 of AGI had the lowest—just over \$22,000.

> AMBULANCE RIDES

In December 2020, Congress passed the "No Surprises Act," prohibiting most surprise out-of-network billing for plan years starting in 2022. But it excludes ground ambulance services. According to a recent Kaiser Family Foundation study, ambulances bring three million privately insured people to an emergency room each year. Local fire departments and governmental agencies provide nearly two-thirds (62%) of the rides. About half (51%) of emergency and 39% of non-emergency ambulance rides included an out-of-network charge that may put privately insured patients at risk for getting a surprise bill.

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