



Robert R. Roback, Sr. CPA, CFS, CFA In Memory of (1956-2011)
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OBJECTIVE ADVICE ON THE ROAD OF LIFE

January 4, 2016

To Our Business Clients:

In accordance with the Internal Revenue Service Code any person, including a corporation, partnership, individual, estate, and trust, who makes reportable transactions during the calendar year must file the appropriate information returns to report those transactions. In addition, the person must also provide a statement to the recipient of the reportable income or to the other party involved in the reportable transaction. These transactions usually involve payments for services which total \$600 or higher for the year provided by non-employees.

The information returns most frequently filed are Form 1099-MISC; Form 1099-INT; and Form 1099-DIV. Examples of payments reported on Form 1099-MISC are: rent and royalty payments, payments for services related to rental property, and payments for services performed for a trade or business by people/certain businesses not treated as its employees. This includes such services as janitorial/office cleaning, landscaping, repairs and maintenance, accounting and legal, capital improvements, and subcontractors, to name a few.

In general, payments to corporations are not reportable. One exception to this is attorney's fees.

Please remember that the majority of LLC's are not incorporated.

In addition, we would like to add one more bit of information we deem important in relation to filing Internal Revenue Service Form 1099's for 2015. In an effort to police all entities eligible for 1099 preparation, the Internal Revenue Service has adopted disclosure requirements by requiring answers to the following questions on all 2015 business income tax forms as noted below:

1. Did you make any payments in 2015 that would require you to file Form(s) 1099?
2. If "Yes", did you or will you file all required Form(s) 1099?

This compliance initiative is fairly comprehensive and affects the following filings: partnership (form 1065), corporate (form 1120 and 1120S), sole proprietor and single member LLC (Schedule C), farm activities (Schedule F) as well as rental activities (Schedule E).

Please remember that a 1099-MISC should be issued to Kumlander, Donofrio, Hay & Pehl, CPAs, LLP if you have paid us over \$600 in fees during 2015. Our business address and Tax Identification Number have not changed. You must also issue a 1099-MISC to your landlord if you paid rent of over \$600 during 2015 and the landlord is not incorporated. This includes related parties if you are renting from an entity you have ownership in.

Form 1099-INT is used to report any interest you paid of at least \$600 in the course of your trade or business. One exemption is for payments made to a corporation. Also, you are not required to file form 1099-INT for interest on an obligation issued by an individual.

When to File

You must furnish Copy B to the recipient by February 1, 2016. Failure to file timely, or with incorrect information, or intentionally disregarding the filing requirements can incur penalties as high as \$100 to \$250 per information return. We will electronically file your IRS Form 1096 along with File Copy A through the Filing Information Returns Electronically System (FIRE System). If you would like to view your copies of IRS Form 1096 and Copy A that have been sent electronically, you can access them through your NetClient CS account. If you do not have an account set up, please give us a call.

If you would like us to prepare your 1099 forms for 2015, please furnish our office with the following information for each recipient at your earliest convenience:

Recipient name and address

DBA if appropriate

Recipient's TIN (Individual's SSN if a sole proprietor, or the EIN of the business)

Amount paid to the recipient for the calendar year 2015

Type of Payment, e.g. rent, non-employee compensation (most common), attorney fees.

Our fees for preparing the 1099 forms will be \$250 for 5 and under; \$500 for 15 and under and anything over 15 will be discussed and determined by event. **If KDHP is the only eligible recipient, the fee will be \$75.** If information furnished to us is incomplete and we have to research or make additional inquiries, your fees may increase from the rates mentioned above. Fees not received within 30 days of the invoice date are subject to an 18% APR finance charge.

If you do not have the recipient's TIN and are unable to get in contact with them, you can obtain it by sending the recipient Form W-9 – Request for Taxpayer ID Number and Certification. Please retain a copy of Form W-9 for your records prior to sending should there be a non-reply from the recipient. If you prefer, we can prepare and send this form for you. We will need the address of the person or business to where it will be sent.

Enclosed is IRS Form W-9, you can also obtain a copy at:

<https://www.irs.gov/pub/irs-pdf/fw9.pdf>

NYS Minimum Wage Increase Notice for December 31, 2015

On December 31, 2015, New York State's minimum wage increased from \$8.75 to \$9.00 per hour. Enclosed is the December 31, 2015 employer's notice which must be posted in every place of business. You can also obtain a copy at the below web address:

<http://labor.ny.gov/formsdocs/wp/LS207.pdf>

Employee Withholding Allowance Certificates

We have included 2016 Federal Form W-4 and NYS Form IT-2104 – Employee's Withholding Allowance Certificate. It is considered best practice for employees to update annually and to be kept on file by the employer. This should be done as early as possible in the beginning of the new calendar year. The following web addresses will also get you to these forms:

2016 Federal W-4 - <http://www.irs.gov/pub/irs-pdf/fw4.pdf>

2016 NYS Form IT-2104 - http://tax.ny.gov/pdf/current_forms/it/it2104_fill_in.pdf

Employee Eligibility Verification

We have attached Form I-9 – Employee Eligibility Verification. This form is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form and retain in the employee personnel file.

Form I-9 can be obtained at:

<http://www.uscis.gov/sites/default/files/files/form/i-9.pdf>

Best wishes for a prosperous new year to all of our business clients.

Kumlander, Donofrio, Hay & Pehl

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