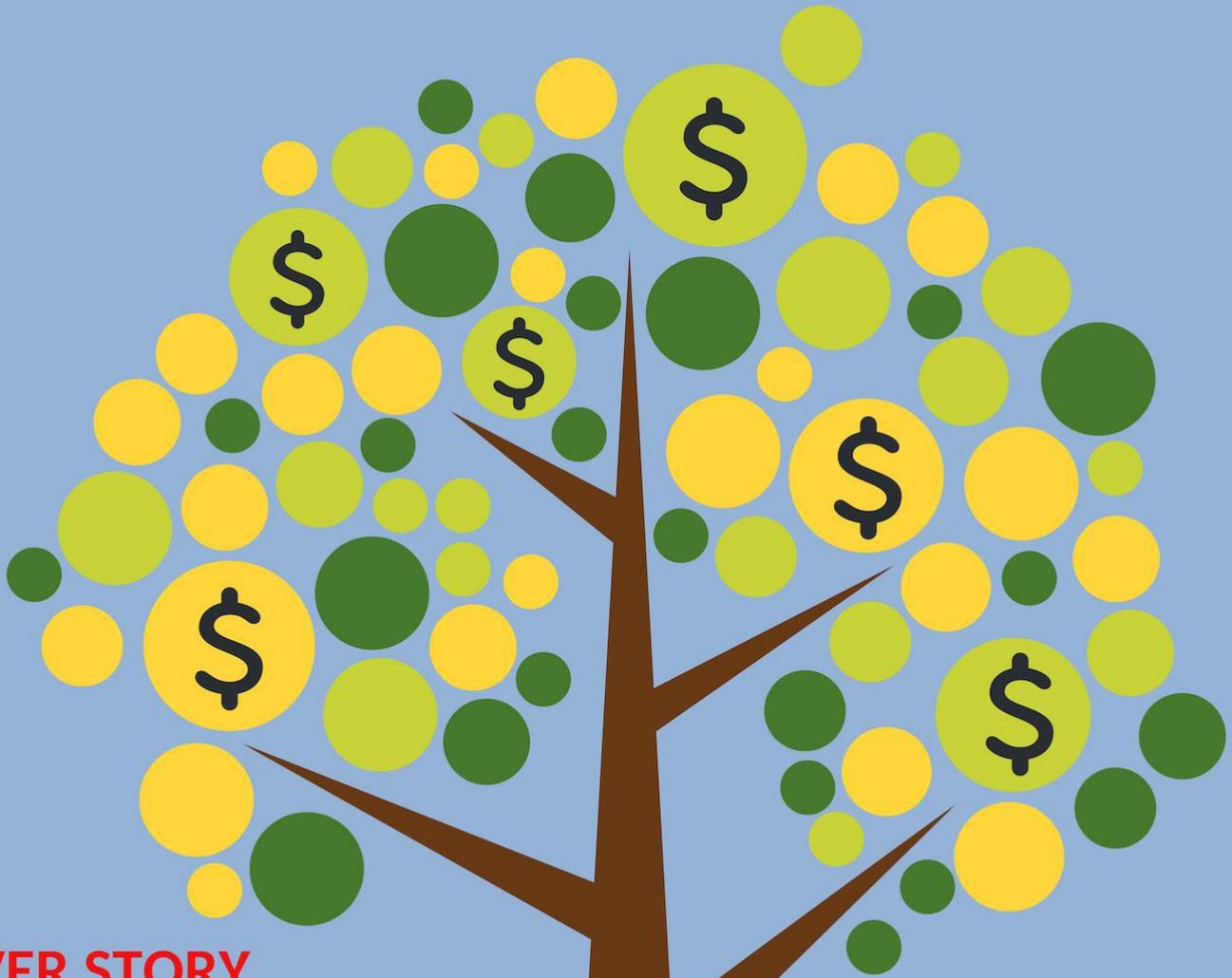


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COVER STORY

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Ultimate Guide**

BUZZ

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Letter from the Editor



Dear Readers,

I hope you have had a great Christmas this year because for us it has been truly joyful (as usual). Sitting here writing this editorial in the tail end of 2018, I am as keen as mustard to be saying, Happy New Year 2019. By the time this edition of Fizzfx will reach you, it will already be 1st of January, and I am sure you are all geared up to make the most of the opportunities that this year is going to bring.

When my team and I got along to discuss the content for this edition, one idea stood out from all the others. Before getting into the details, I would like to pen it down for your understanding.

The introduction of TCJA (Tax Cuts and Jobs Act) is being seen as one of the major reformations in current tax rules and the IRS is already on a roll to get it implemented successfully. The newly reformed Tax Code is full of surprises (pleasant and unpleasant) for both individual taxpayers and business entities across the country. However, there exists a lot of confusion regarding the new updates in the legislation and the IRS audits (which of course no one likes to encounter). So for this January edition, we thought to focus on spreading awareness regarding the updated Federal Income Tax System and ways to avoid IRS audits, among other write-ups.

I hope you enjoy reading this issue, and if you have any feedback — good or bad — I would love to hear your thoughts. Here's to a great year of incalculable possibilities and hopes!

Ehtesham Haque

is the Chief Executive Officer of Sagenext Infotech and one of the Directors of The Sagenext Group. As a leader, he has been heralding Sagenext's transition into an all-round IT hosting company, pushing its cloud infrastructure and hosting solutions to counteract the mounting demand of CPAs, accounting professionals and small and mid-sized businesses across the world.

Ehtesham Haque
Editor-in-Chief, Fizzfx
CEO, Sagenext Infotech LLC

Eliminate Your Fear Of Audit! Here's How It Can Be Avoided!

With the tax season in full bloom, many of you must be experiencing the fear of tax audit. CPAs, bookkeepers, and individuals are all glued to their computer screens, relying wholeheartedly on their tax software hosting to finish filing the taxes without possible delay. However, the good news is - what is done is done. The best that individuals and business owners can do now is to be prepared in case a trigger sends the IRS to their door.

What are the chances that you'll be audited?

IRS knows everything, and more likely than not, they will catch hold of any trigger that you leave on your tax return. But that doesn't mean you will be audited. Your chances of audit increases with the number of risks on your filed return. Thus, inviting an IRS audit is a game of multiple factors, rather than one or two loose ends.

If you are sure your mistakes (if any) will be minimal and you are good with your documents, your chances of earning an audit are fairly slim. But that cannot be taken as liberty. You still need to ensure that you will not be audited. Here's how you can use your tax software to save yourself from being audited:

Be honest

If you honestly wish to avoid getting audited, the simplest way is, to be honest. Do not mess with the figures. If your receipts are not an even number, do not make it so. Keep your records up and running so that in case IRS begins to question, you have your receipts speaking for you. Produce real numbers only.

Do it on schedule

On schedule or on time means your tax return should neither be late nor should it be early. Your tax software hosting will allow you to prepare your taxes in less time, but that doesn't mean you file them early. This way, you are only giving IRS extra time to go through your tax return in detail.

What else do you need to keep in mind?

Apart from the key pointers mentioned above, here are some other red flags that need to be addressed while you prepare your taxes this tax season:

IRS TAX AUDIT SURVIVAL GUIDE

A tax audit can be a scary process. Here is a step-by-step guide to help you understand the process better.

WHY IS THE IRS AUDITING MY BUSINESS?

The IRS can perform an audit for any of these three reasons: **random sampling**, **computerized screening** or **comparing submitted information**.

Make sure you do not leave any red flags in your return, and have all documentation in order.

You do have an option of having someone to assist you through the audit process, but you can also decide to do this alone. If you had hired a tax preparer to file your return, they might be able to represent your case better. **Your ideal representatives** are a CPA, a tax attorney or an enrolled agent.

DO I NEED A TAX REPRESENTATIVE?

WHAT ARE THE TYPES OF AUDITS?

In basic categorization, the IRS can decide to audit your business in one of the following ways:

Letter audit - where they request data through mail,
Office audit - where you need to go to the IRS office, and
Field audit - where an IRS agent visits your office to perform the audit.

The whole process has a pretty simple layout. You get a **notification** about the audit, you gather the **required information** and **submit** the documents or meet at the appointed time, the IRS **reviews** your submission and gives their **decision**. But yes, going through the whole process can be a complicated ordeal.

WHAT IS THE GENERAL PROCESS OF AN AUDIT?

HOW DO I PREPARE FOR THE AUDIT?

After getting a notification from the IRS, you must **consult** your tax preparer or any other tax advisor. Then, get all your **documentation and tax records in order**. It is important that you understand intentional and unintentional failures to **avoid being penalized**. Keep business and personal expenses separate. Cash businesses are more likely to be audited.

The IRS can decide to audit businesses for a variety of reasons. The most basic way to prevent an audit, or minimize your chances is to implement good business practices in your company.

HOW DO I AVOID BEING AUDITED?

- Do not count your work-from-home as a part of your home office deduction
- Your 1099s from multiple clients need to be reported
- Charities over \$250 need to have a receipt to be considered
- Report everything

To protect yourself from an IRS audit, all SMBs, business owners, and individuals must remember to keep their receipts ready. Saving your crucial documents over the years can keep you from having sleepless nights during the tax season. [Read more...](#)

Saloni Arora
saloni@thesagenext.com

Tax Season 2019 Ultimate Guide

Painful, but true: taxes are hard to forget and are on everyone's mind as they impact our daily lives in many ways. Even the world-famous physicist Albert Einstein said, "The hardest thing in the world to understand is the income tax." Fortunately, we understand that reading famous quips won't help you pay less, but having an ultimate tax guide will definitely chuckle you up in the nerve-racking tax season. So, let's begin with the basic ones first!!

The Basics, Tax Plan Changes & 2018 Tax Filing Deadlines

They say filing returns is a sign you are responsible - and thus, the federal and state governments' mandate tax return filing for those individuals who have a job with a regular paycheck. Whether you made a mistake with payroll withholding calculation or, you're owed a refund of the taxes paid in 2018, filing a tax return every year is a must. Further, to stay clear from unwanted IRS penalties is also one case to consider while thinking of why tax return filing is so necessary. As an individual, you're legally required to report additional income that you might have forgot to include in your paycheck. Hence, the result of all this is that you're required to file a tax return every year.

Trump's Tax Plan Hype

President Trump signed the "Tax Cuts and Jobs Act" on December 22nd, 2017 right after the House passed clearance to the final version of tax reform bill on December 20, 2017. Originally, Trump's tax plan was to cut the tax brackets in the federal income tax system and take it down to four. But unfortunately, or fortunately (depends), the final version of the bill contains seven brackets with minimal changes in their tax rates. In conclusion, the new tax plan of Trump cuts individual income tax rates, doubles the standard deduction, and eliminates personal exemptions. Where on one hand, the corporate cuts are permanent, the individual changes on the other will expire at the end of 2025.

New Trump Tax Brackets

Undoubtedly, the Act lowers the tax rates and introduced new tax brackets of 10%, 12%, 22%, 24%, 32%, 35% and 37% rates. The new highest tax rate of 37% kicks in at \$500,000 for single taxpayers and \$600,000 for married couples.

Trump's Tax Plan Doubles the Standard Deduction

The new tax plan has changes to consider for both kinds of taxpayers - for those who take the standard deduction and for those who itemize. The standard deduction increases from \$6,350 to \$12,000 for a single filer and from \$12,700 to \$24,000 for joint filers. Basically, the standard deduction nearly doubles under the Trump tax plan.

How Soon Can I File Taxes?

The Internet is full of questions like "How soon can I file taxes?", "When's the earliest I can file?", "When will the tax season start?" and most tax professionals are quite uncertain to give clear information. However, one thing that's unalterable is the U.S. tax day, which is on 15th April 2019 (deadline to file 2018 tax returns). Taxpayers can start preparing for their federal tax return as soon as they gather all the relevant information and documents. The date given by IRS to file your 2018 returns electronically is 15th October 2019, and after that, you will need to paper file your tax returns.

All About Your Filing Status

You are all set to prepare for your tax return - from documentation to the right tax forms, you've double checked everything already. But what about choosing the right filing status, huh? You should never underestimate the value of IRS tax filing status as it can possibly affect your tax return status. Moreover, a right filing status reaps out the lowest possible income taxes and the biggest refund for you. So, let's dive deep into IRS tax filing status math!

What Is a Filing Status?

Under the United States federal income tax law, filing status determines which tax return form an individual will use, and what tax rates and standard deduction amounts will apply to a specific tax return. It is considered an important factor in computing the taxable income of individuals. The determination is mostly affected by the marital status and family situation of an individual.

The Just-married Trouble!

Undoubtedly, your marital status matters a lot when you're about to file a tax return. Even if you're married on the last day of the

year, you will be classified under 'married taxpayers' and need to file tax as a 'married person' for that year.

Five Tax Return Filing Statuses

The IRS has recognized five different tax return filing status types including Single, Head of Household, Married Filing Jointly, Married Filing Separately, and Qualifying Widow/Widower With Dependent Child Filing Status. It is articulated by the United States federal government that a taxpayer may be able to claim more than one filing status. However, taxpayers should review each status carefully as tax benefits may differ, depending on their specific situation. Normally, the taxpayer will choose the filing status that results in the lowest tax.

Everything You Need to Know About Your W-2 Form

Form W-2 is one of the most crucial documents at the tax time, which states the wages you earned and the taxes you paid. Employees can also refer W-2 Form as an output document received from employer's end, summarizing employee's total Gross Earnings, Social Security Earnings, and Medicare Earnings. It is more like a ritual that every employer in the U.S. must follow. The basic purpose of this form is to provide all the information to employees that need to be included in their income tax form.

Understanding Your W-2 Form

The 'W' in your W-2 Form stands for 'withholding', and the form is used to report the taxable income. The exact format of your W-2 Form actually depends on the way your employer processes payroll, which means that it comes in different sizes, shapes, and formats. However, the information it carries is quite same regardless of anything.

W-2 Obligations For Employers

The employer must prepare W-2 Form for their employees as it reports their annual earnings along with the tax withholdings. It is mandatory for every employer to prepare one form and pass the copies to the Social Security Administration. Once the information is checked by SSA, it passes on to the IRS. Employers must complete and mail the form to their employees latest by 31st January every year.

Ayushi Jain

ayushi@thesagenext.com

Payroll Fraud Detection and Prevention

Being an entrepreneur and running a company is a strenuous task, that too if everything goes smoothly. You need to be prepared for every possible situation that may arise and test you on your quick decision-making skills.

Every business owner has a fear of discovering a fraudulent activity, especially of finding out that they are being cheated by a trusted employee. But your money is for your business and you do not want to continue harboring a dishonest employee, particularly someone who can put you in trouble with the IRS.

Payroll fraud is real, and the top source of accounting theft in businesses. According to statistics provided by the Association of Certified Fraud Examiners (ACFE), 27 percent of all businesses face cases of payroll fraud and almost twice as much in small businesses than in large companies.

Let us look at a case - **Tiffany Couch**, a forensic accounting specialist shared a few stories of payroll fraud in a podcast with Accounting Today.

A well-trusted employee of 14 years at a dentist's office is found guilty of cash skimming. She is very sweet, hardworking and popular among colleagues. She handles the cash coming in and bank deposits, she takes care of QuickBooks data, she is handling all tasks related to money. Because nobody is checking up on her, it gives her free access to steal it. She starts paying herself extra paychecks, she manipulates the cash invoices coming in, and she is not depositing all the money in the official bank account.

The dentist reviews a few tax forms one day finds out she is being paid extra and confronts her about it. She denies it at first, then says that the boss had agreed to pay her hourly for all the overtime she did last year, and gets angry at him for not believing her. The dentist, avoiding the fuss and wanting to clarify a few facts before the conversation went further, said that they will talk about it later in the day. The lady went for lunch and never returned. When the accounts and data were checked, it showed a huge amount of discrepancies, deleted receipts and missing cash entries. In total, she stole over \$400,000 and is now serving time for it in prison.

A payroll fraud seems difficult to commit, but if it is concealed well, it might take months (or even years) to uncover. It can

occur in any industry, be it a small shop or a large enterprise. The key is to review your accounts regularly. In the case above, too much trust cost the dentist a lot of money. If he had reviewed or tallied invoices before, the case would have been different.

Using QuickBooks hosting services can save a lot of trouble. It comes with the facility of remote access, allowing you to go through your accounts from anywhere and at any time. This way you always know about your cash flow, and you can verify financial data from your home. You can also catch a fraudster smartly in the act, and with evidence.

Following are the most common payroll fraud schemes to watch out for.

Ghost Employee

A fake or terminated employee is being paid salary checks that the fraudster cashes in for themselves. This is common in organizations with a large number of employees who are managed by a supervisor. Conducting regular audits of payroll reports to ensure correct pay is reaching the employees is crucial. Check for multiple deposits to the same bank account, or checks being issued to employees at the same address.

Rate Manipulation

When an employee who has access to payroll accounts, increases their own pay or pays themselves for extra overtime or a bonus. This fraud is clearly taking advantage of the trust that the employer has in the employee. As a business owner, you should remember that trusting your employees is fine, but too much trust is not wise. Establish internal control and supervise critical financial records yourself periodically.

Timesheet Adjustment

This is a very common occurrence in companies where employees are paid at an hourly rate. Employees can punch in time for absent employees or inflate their own work duration. But if the supervisor is strict, this can be avoided.

Payroll is a company's biggest expense, and payroll fraud can cause a lot of damage to the company's finances and reputation. It is of prime importance that all financial operations are monitored in detail to leave nothing to chance.

Sobia Azam
sobia@thesagenext.com

8 Invoicing Mistakes Small Biz. Must Avoid

Invoicing is often dismissed as a mundane task that need not be done with full attention. But it is an important part of a business that is essential to maintain positive cash flow.

To make sure you get your money on time, here are a few things that must be avoided.

1. Procrastination

A small task such as invoicing might slip your mind with all other tasks. But make it a priority to send an invoice as soon as the job is complete. This way you are 1.5 times more likely to get paid on time, according to a survey.

2. Pending Invoices

It is your responsibility to be paid on time. Be proactive in sending reminders and contact the client immediately if they miss their payment date.

3. Undefined Terms

Never use any vague language or define lengthy terms in an invoice. Be clear in specifying your conditions.

4. Details that Matter

Double check with your client about small details like company name, address, department and license number to avoid problems.

5. Data Backups

Create regular backups of your receipts on the cloud, so that you have a soft copy to refer to, even if you lose the hard copy.

6. Branding and Format

Research has shown that invoices are 3 times more likely to get paid if there is a proper company logo and name mentioned. Same goes with poor editing and format of the invoice. These small things create your executive image over the others.

7. Flexibility and Payments

Being a good businessperson means abiding by a set of defined rules. But it also means that you can offer a bit of wiggle room on client's request.

8. Manners

Adding a 'please' and 'thank you' to your tone, emails, and even invoices can increase your chances of getting paid by 5 percent.



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