



COUTO DEFRANCO, P.A.
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Online Advisor

- APRIL 2017 -

MAJOR UPCOMING TAX DEADLINES FOR APRIL

April 18:

- 2016 individual income tax returns
- 2016 IRA contributions
- 2017 individual estimated tax first quarter installment
- 2013 individual tax return amendments
- 2016 annual gift tax returns
- 2016 calendar-year C corporation tax returns

WHAT'S NEW IN TAXES: THERE'S TIME TO CLAIM YOUR 2013 TAX REFUND

Recently, the IRS announced that an estimated 1 million taxpayers who did not file an income tax return in 2013 could claim their

Greetings!

We're coming into the home stretch; getting all of your returns completed and e-filed. Looking forward to April 18th! As always, if you have questions or are interested in meeting with us, please don't hesitate to contact our office.

Thank you.

The partners and staff of Couto DeFranco, P.A.



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WHAT'S NEW IN BUSINESS: SMALL BUSINESS SCAM GROWS; 55 COMPANIES AFFECTED

Over the last year at least 55 companies reported they had fallen victim to a new type of specialized phishing scheme. The scheme involves a criminal masquerading as a real employee, often a key executive, and then duping unwitting employees to provide a payment or secure files. The criminals do this by sending an email requesting lists of employee W-2s or asking the employee to wire funds to a fake vendor. Sometimes the sender claims to be an IRS agent who requests personal information or demands immediate payment of a nonexistent tax bill.



Don't let your company be the next to fall prey to this scam. Whenever confidential information is requested, employees should take a moment

to ask members of the human resources or payroll department if they know about the request. Employees who receive an email request should call the executive to confirm he or she sent the email. Remind employees

share of \$1 billion in unclaimed refunds for the 2013 tax year. According to the law, taxpayers have three years to claim a tax refund. After that, the funds belong to the U.S. Treasury. So, if you did not file in 2013, send your 2013 tax return via certified mail to arrive at the IRS by April 18.

THREE TIPS FOR MANAGING YOUR COMPANY'S CASH FLOW

If you let the new business failure rate be your guide, you might never start your own company. Only 50 percent survive the first four or five years. Many former business owners who returned to a less-than-satisfying 8 to 5 job might tell you that their business hit the rocks when it ran out of cash. Of course, many factors can contribute to business failure. But an owner's inability to manage cash effectively - whether from neglect, lack of skill or inability to restrain spending - is a sure harbinger of trouble.

But don't the income statement and balance sheet provide a complete picture of the company's financial viability? Not necessarily. For example, your company's net worth may be climbing year after year, while cash balances are being depleted. Or, your business property is appreciating in value and

but the executor is committing to send the small business employees that the IRS never initiates contact regarding a tax issue by email or phone call. This scam can take many forms, so your best defense is awareness - let your team know what to look for and what to do if they receive any fraudulent emails.

KNOW THE TAX IMPLICATIONS OF YOUR HOME REMODEL

The days are longer and the air is getting warmer. Spring is here, and for many homeowners it's time to update and remodel. Maybe you're considering a new project, too. You may need to replace your deck or remodel your kitchen. If you have a remodeling project coming up, you should understand the tax consequences.

If your project qualifies as an *improvement* to your home, you'll enjoy some tax benefits. But if the project is a *repair*, there's generally no tax benefit. Unfortunately, it's not always easy to tell the difference.

The IRS defines an improvement as something that adds value to your home or extends its life. Putting in a new kitchen, building an extension or adding a new deck are considered improvements because they add value. Replacing the roof is an improvement because it extends the life of your home.



On the other hand, a repair merely keeps the home in good working order. Examples of repairs include painting the interior or exterior or replacing a few missing shingles.

You can get tax benefits by adding the cost of your home improvements to your original cost basis. That's the amount you first paid for the home. When you sell, a higher cost basis means a smaller capital gain. And generally you'll only pay tax on a capital gain greater than \$500,000 (\$250,000 for singles). So, the smaller your capital gain, the less likely you are to owe tax when you sell.

That's why it's important to save bills and receipts for any projects that may qualify as improvements. Include notes that describe the related home improvement. You may need to keep these receipts for years until you sell your home. But when you do, these updates could be the key to reducing a possible tax bill.

If you want to know whether your project is a repair or an improvement, please call.

CAN'T FILE BY APRIL 18? CONSIDER FILING FOR AN EXTENSION

appreciating in value and your accounts receivable are increasing. Both contribute to a positive net worth, yet neither bolsters your bank account directly.

To generate cash, assets must be sold and receivables collected. Both take time. Meanwhile, cash must be available to cover ongoing expenses such as rent, payroll and utility bills. Consider these three tips for managing your company's cash flow.

Analyze cash every month. This doesn't have to be a complicated procedure. Simply prepare a schedule that shows the cash balance at the beginning of the month, then add cash you received (from sales, collections on receivables, asset dispositions, and so forth), subtract cash you spent, and calculate the ending cash balance. If your cash balance is decreasing month by month, you have a negative cash flow. If it's climbing, your cash flow is positive.

Anticipate cash flow needs. Perhaps your sales generally decline in the summer months. Build up excess cash in the good months in expectation of covering payroll costs and fixed expenses every

summer. Track your cash flow for a few years; then use that analysis to help you develop a more accurate forecast. To smooth out cash flow, you might also consider establishing a line of credit

Tax time is stressful as it is, but there's no reason to panic if you cannot file by April 18. There's still time to get an automatic six-month deadline extension.

There are four ways to obtain an extension:

1. File a paper copy of Form 4868 with the IRS and enclose your payment of estimated tax due.
2. File for an extension electronically using the IRS e-file system on your computer.
3. Using Direct Pay, the Electronic Federal Tax Payment System, pay all or part of your estimated income tax due and indicate that the payment is for an extension.
4. Have your tax preparer e-file for an extension on your behalf.

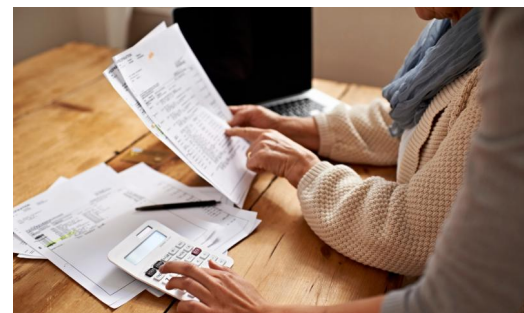
Remember that even if you file for an extension, you are still required to pay any taxes you owe by the April 18 filing deadline. An extension gives you more time to file your tax return, but not more time to pay the taxes you owe. You will be charged interest on any taxes you owe and do not pay by the filing deadline. If you are unable to pay on time, contact the IRS to set up a payment agreement.

Give us a call so we can discuss whether or not an extension is right for your situation.



WHAT'S NEW IN FINANCES: INHERITANCE-IT'S TIME FOR A FAMILY DISCUSSION

Nobody wants the kind of surprise Joan Crawford left her adopted children at the end of her life in the movie "Mommie Dearest" - no inheritance. Of course, inheritance shouldn't be expected or relied upon, but because it's so rarely talked about, few people know what to expect. As it turns out, while some families discuss other end-of-life issues, very few talk about the details of inheritance. According to a recent study conducted by Ameriprise Financial, of 2,700 American adults surveyed, only 21% indicated they knew how much they would receive.



So, why do families avoid this discussion? Beyond the obvious that death is a difficult topic, the reasons vary. Often those leaving an inheritance are concerned they are not on track to leave as much as they would have liked, while some do not have an estate plan in place. Another source of concern is that their heirs don't have realistic expectations about the amount they'll receive. And, of course, money decisions among family members can cause tension and disagreements that are already exacerbated by the prospect of losing a loved one.

that can be paid back as cash becomes available.

Establish good credit policies.

Set limits for extending credit. Ask new customers for business references. Send out invoices the same day goods are shipped and charge late fees for clients who don't pay their balance on time. When payments don't arrive, send out collection letters promptly.

Manage cash well, and your business stands a much better chance of surviving the challenges of today's economy.

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Experts recommend that families sit down together and have an honest discussion about the potential inheritance. Despite how difficult it can be, older family members (parents, grandparents) need to be candid about the amount they plan to leave so that their heirs can incorporate this amount into their own financial planning. In addition, informing family members of the details means there won't be a surprise when the estate is distributed. If the benefactor does not have an estate plan already in place, the family can discuss working with an attorney to have one prepared.

Discussing end-of-life issues is never comfortable, but seeking the financial advice of an accountant or attorney might be a way to ease the tension for your family.

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

973.325.3370

Sincerely,

The Partners and Staff
Couto DeFranco, P.A.

**COUTO & DeFRANCO have been
chosen as
FIVE STAR Wealth Managers
for the fourth consecutive year!**



Nelson Couto CPA, CFP™





CERTIFIED FINANCIAL PLANNERS™

Nelson J. Couto, CPA, CFP™

Anthony DeFranco, CPA, CFP™

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Nelson Couto and Anthony DeFranco honored with a recognition by NJ Monthly Magazine in its selection of "Top Wealth Managers In NJ 2017"

Nelson Couto, CPA, CFP® and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2017 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2017. Out of the 3868 wealth managers in New Jersey who were seriously considered for the award, 664 were named, which represents less than 18% of the wealth managers considered. This is their fourth time winning this prestigious award!

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly, and proud that the work we have done for our clients has been recognized," says Anthony DeFranco.

Couto and DeFranco are recognized as leaders in the field of wealth management. They combine their knowledge of financial planning with over 25 years as CPAs, helping their clients with their wealth management and tax planning needs, along with assisting them with their financial goals and aspirations.

They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and as Certified Financial Planner™ professionals-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.

Print out this certificate for a complimentary one-hour consultation.

COUTO DEFRANCO, P.A.

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300 Executive Drive, Suite 200, West Orange, NJ 07052, USA.

Telephone: (973) 325-3370 Fax: (973) 325-3371

Email: info@coutodefranco.com

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