

Squyres, Johnson, Squyres would like to wish everyone a great 2018!

To assist you in planning for closing out 2017 and kicking off the New Year, we have included a list of a few reminders for your consideration and some other important information. This is a general list. Please disregard any area that does not apply to you. Also, should you have any questions or need any assistance, one of our Certified QuickBooks ProAdvisors would be happy to help you.

The due date for filing Forms W-2 and W-3 with the Social Security Administration is January 31, 2018, whether filing electronically or using paper forms. Form 1099-MISC must be filed on or before January 31, 2018 *if you are reporting nonemployee compensation payments in box 7*. Otherwise, file by February 28, 2018, if you are filing on paper, or by April 2, 2018 if you file electronically.

#### 1099 Preparation:

1. Review your vendor list information and begin gathering any information or W-9 forms needed to enable you to issue 1099s by January 31, 2018. If we prepare your 1099s, please send W-9s to any new vendors requesting tax ID numbers as soon as possible and forward them to our office. This will ensure we have the information needed to complete your 1099s by January 31<sup>st</sup>.
2. To assist with proper 1099 calculations, please review the other names list in QuickBooks. If you have used other names, they need to be reclassified to vendor names. Other names do not appear on any reports in QuickBooks and you cannot process a 1099 for them. In general, anyone to whom you write a check (other than payroll) should be a "vendor" in QuickBooks. Go to "lists" at the top, then "other names" to review this list. If using other names, go to the bottom of the list under activities, and select "change other name types" to convert them to vendors. Checks for payment of bills should not be issued to "Customer Names". If that error has occurred, you need to create a "Vendor Name" and reclassify each transaction to the "Vendor Name".
3. If needed, merge vendor names together if you have two vendor names setup for the same vendor in error. Change the incorrect vendor name to be the correct name and QuickBooks will merge them together for you.
4. If you are using QuickBooks, use the following reports to assist with the review process after you have completed steps 2 & 3 above. Go to Reports; Vendors & Payables; 1099 Detail; set dates for 1/1/17 to 12/31/17; 1099 options to "All Vendors" and "All Allowed Accounts" and expand the account and memo columns to assist with determining whether the vendor payments have been for services provided, including parts and materials, or rent payments that might require a 1099 to be issued if the vendor is not incorporated and you paid them \$600.00 or more in 2017. An attorney should receive a 1099 even if they are incorporated, if paid \$600.00 or more.
5. 1099 forms are due to the recipient AND the IRS by January 31, 2018, except as noted above.

#### General Year-End Items:

1. Contact all loan holders and request a statement in writing verifying the loan balance as of 12/31/2017 and interest paid during the 2017 calendar year. Please provide copies of all

documents to Squyres, Johnson, Squyres, for tax return preparation.

2. If you use company credit cards, remember that charges on the credit cards through 12/31/2017 are deductible for income tax purposes even if you have not paid the credit card balance in full as of 12/31/2017. Make sure those charges are keyed into QuickBooks using the "Credit Card Feature" and the balance in QuickBooks reconciles to the 12/31/2017 credit card balance. Please provide copies of the December and January credit card statements for our year-end work and tax return preparation for you.
3. If you maintain inventory, be sure your year-end inventory count was completed on or near 12/31/2017, and reconciled to that date if you have had shipments in or out. Your final ending inventory balance should be adjusted accordingly.
4. Review your outstanding check list from the bank reconciliation report and cleanup items as needed. Remember, any old checks from a prior year or closed period must be reversed by using a journal entry in QuickBooks. Do not use the "void check" feature as this will change your bank reconciliation and balance forward. Pay special attention to any payroll checks that did not clear the bank in 2017 before W-2s are issued. For QuickBooks users, please let us know if you need to void any pay checks as your 4<sup>th</sup> quarter 941 report will need to be adjusted. You MUST use the "void check" feature for payroll checks or the payroll reports and W-2s will not be correct. Make sure all bank accounts are reconciled before preparing W-2s or 1099s, or before you submit your QuickBooks to us to do these year-end procedures for you.
5. If your books are maintained on the accrual basis, review your accounts receivable and accounts payable open item reports and cleanup balances as needed. Again, entry errors from prior years need an invoice or credit memo issued in 2017 to correct – do not use the "void" feature.
6. The IRS has announced the 2018 standard mileage rate – beginning Jan. 1, 2018 the rate will be 54.5 cents per mile. The rate for 2017 was 53.5 cents per mile.

#### Payroll Items:

1. If you are processing your own payroll in QuickBooks, or any other package, make sure you update the software before the first payroll in January 2018 is processed to reflect your new TWC rate for 2018. You should have received a letter from TWC stating your new rate for 2017. If you have not received this letter, you should call the TWC office in Tyler at 903-581-8153 and ask for your new tax rate. If your system is not updated with this new rate, all of your reports for TWC filing will be incorrect within your software. To change your TWC rate in QuickBooks, go to "Lists – Payroll Item List – TX Unemployment item" and then edit that item and change all 4 quarters to the new amount. Make sure you run the update payroll tax tables feature in QuickBooks, or any other software to make sure you have the new tax table for 2018 loaded before your first payroll in 2018.
2. The deadline for issuing W-2 forms to the recipient AND the IRS is January 31, 2018.
3. The IRS has been sending out notices regarding your tax deposit requirements for 2018 outlining which rule you must follow – monthly or semi-weekly. If you have not received this notice, either call the IRS office or you can calculate it yourself. There is a table describing how to determine your proper method for payment (Look Back Period) in the circular E booklet. Remember, penalties are stiff for late deposits and it is your responsibility to make sure you are following the correct rule.
4. The 401(k) elective deferral limit for 2018 is \$18,500 with a maximum catch-up of \$6,000 and the Simple IRA deferral limit is \$12,500 for 2018 with a maximum catch-up of \$3,000.
5. A new W-4 only needs to be completed if the employee wishes to change their withholding for 2018. We recommend you give every employee a copy and let them decide if they need to give you a new one for 2018.
6. A Form I-9 should be completed for all new employees when hired. A new edition was released

July 17, 2017.

7. If you have a more than 2% shareholder, their employer provided health insurance should be included on the W-2 in Box 1, but does not need to be reported in Boxes 3 or 5.

#### Property Taxes:

1. The property tax rendition forms are due to the local county tax office by April 15, 2018. A penalty of 10% of the amount of annual taxes imposed is assessed if the rendition form is filed late.
2. Many of you use the depreciation listing maintained by Squyres, Johnson, Squyres for tax return preparation as a base report to remit with the property tax rendition form. Please take time to review the listing for sold or disposed of items that need to be removed from that list. If you need a copy of your list, please contact our office and we can assist with getting a copy to you.

#### QuickBooks Items:

1. A good protective item to maintain the integrity of your prior year's data is to go into the preferences area and close your books as of 12/31/2017. This will prevent you from accidentally posting a 2017 transaction to the wrong year. **MAKE SURE YOU HAVE A GOOD BACKUP OF YOUR QUICKBOOKS FILE SAVED OFFSITE AND LET QUICKBOOKS VERIFY THE INTEGRITY OF THE BACKUP TO FIX ANY DATA ERRORS.** Memory sticks are great for this.
2. After your year-end procedures are complete, you may want to evaluate the size of your Quickbooks data file and determine if a "Condense Data" procedure needs to be done to reduce the file size and cleanup your customer and vendor lists. This process will speed up the processing time needed in your QuickBooks file when processing reports, running statements, etc. You can contact us regarding this process and let us assist you if needed with the procedure. For very large files, this procedure may take a full day to run and will need to be done over a weekend.

As always, we are here to assist you at any time with any questions you may have.

Brett Nelson, Certified QuickBooks ProAdvisor

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