



2016 Tax Deadline Changes

Tax Return Due Date Changes

Entity Type	Return	Statutory Filing Date		Extension Period		Final Due Date	
		Current	New	Current	New	Current	New
Partnerships	Form 1065	4/15	3/15	5 months	6 months	9/15	9/15
S - Corporations	Form 1120S**	3/15	3/15	6 months	6 months	9/15	9/15
C - Corporations	Form 1120S	3/15	4/15	6 months	5 months*	9/15	9/15
Trusts	Form 1041	4/15	4/15	5 months	5.5 months	9/15	9/30
Individuals	Form FinCEN 114	6/30	4/15	N/A	6 months	N/A	10/15

* All C corporations with all tax year ends will have a 6 month extension period after January 1, 2026.

**No changes

Under the new law and generally effective for returns with tax years beginning after December 31, 2015:

- Both partnerships and S corporations will have a due date of the 15th day of the 3rd month after the end of the tax year (March 15th for calendar year) with a potential 6 month extension
- C corporations will have a due date of the 15th day of the 4th month after the end of the tax year (April 15th for calendar year) with a potential extension under varying rules noted below
- C corporations with tax years that end on December 31 and begin before January 1, 2026 will have an automatic extension period of 5 months
- C corporations with tax years that end on June 30 and begin before January 1, 2026 will have an automatic extension period of 7 months
- C corporations with tax years that end on any other date will have an automatic extension period of 6 months
- All C corporations with all tax year ends will have a 6 month extension period after January 1, 2026
- FBARs (FinCEN Form 114) have a due date of April 15th of the following year with a new 6 month extension period

Impact: Although these much anticipated changes create a more natural flow of tax return filing deadlines and the timing of tax returns and K1s may naturally gravitate slightly towards the new deadlines, it is important to note that the ultimate timing of all tax returns may remain the same or similar as timing is still heavily dictated by factors such as timing of financial information, underlying schedule K1s, certain 1099s that have a March 15th due date, and other information necessary for the tax returns.

Information Return Due Dates Effective for tax years beginning after December 31, 2015:

- The Protecting Americans from Tax Hikes (PATH) Act of 2015 accelerates the required filing dates for any returns or statements required to report nonemployee compensation (i.e., Form 1099-MISC). Employers must file Forms 1099-MISC reporting amounts in box 7 with the IRS on or before January 31 of the year following the calendar year to which the return relates, regardless of whether the forms are filed on paper or electronically.
- The Protecting Americans from Tax Hikes (PATH) Act of 2015 also accelerates the due date for filing Forms W-2 with the IRS. Employers must file Forms W-2 and W-3 with the IRS on or before January 31 of the year following the calendar year to which the return relates, regardless of whether the forms are filed on paper or electronically.

Other Tax Return Extension Changes

New Law - Effective for tax years beginning after December 31, 2015, the PATH Act provides for the following changes to the maximum extension:

Entity Type	Return	Extension Period	
		Current	New
Trusts	Form 1041	5 months	5.5 months
Trusts	Form 5227	3 months	6 months
Exempt Organizations	Form 990	3 months	6 months
Exempt Organizations	Form 4720	3 months	6 months
	Form 6069	3 months	6 months
	Form 8870	3 months	6 months

Additional Reporting for Mortgage Interest Statements (Form 1098)

New Law - For information returns and mortgage interest statements (Form 1098) due after December 31, 2016, additional information will be required to be included with the mortgage interest statements to individuals who pay more than \$600 in mortgage interest during a tax year. The statements must now also report the mortgage origination date, the address of the property that secures the mortgage, and the outstanding principal mortgage balance at the beginning of the calendar year.

Year-End Wage Reporting for Company Auto Use & Other Fringe Benefits

In addition to deadline changes, companies need to process year-end payroll reporting of taxable fringe prior to December 31st. One of the most common taxable benefits that many companies need to report is the personal use of company owned automobiles. The commuting to and from work and other personal use of a company automobile is required to be reported in taxable wages and is subject to income tax withholding and all other payroll taxes. The Richey May tax team can assist you in these calculations; it will require various information including the number of business miles driven, personal miles driven (including commuting miles), and the number of total miles driven during the year as well as some additional information about the automobile. The IRS permits companies to determine these

numbers based upon an annual year end of October 31st in order to make it easier to determine and report by December 31st.

In addition to personal use of a company automobile, there may be other noncash compensation issues that should be included in W-2s (e.g. – group term life insurance coverage in excess of \$50K provided by the company, an individual social club membership, noncash awards and prizes including nonbusiness trips, etc.). Other than group term life insurance, these items are actually reportable as wages when paid as opposed to annually each December. Nonetheless, we would recommend a review of noncash compensation paid throughout the year to determine if additional wage reporting should be completed in 2016. Please note that improper payroll reporting can result in a 100% failure to withhold penalty, which may also be subject to additional penalties for late deposit of withholding taxes and interest.

Additional Wage Issues for S-Corporations Only

There are specific W-2 fringe benefit reporting requirements applicable to any shareholder owning more than 2% of an S-Corporation at any time during the year. The following information should only be used as general guidance to assess the Company's compliance with fringe benefit reporting rules with respect to benefits provided to its greater than 2% shareholders. Please contact us if you need additional consulting assistance to address more complex issues specific to your company's fringe benefit and compensation plans.

While not exhaustive, the following is a list of fringe benefits for which the tax treatment is different, or the eligibility to participate is limited, for those shareholders of an S-Corporation who own more than 2% of the corporation:

1. Accident & Health Insurance Premiums (Include in payroll no less frequently than annually)

- a. Premiums paid by the Company on behalf of more than 2% shareholders are required to be included in the shareholders' W-2 taxable wages. As long as the premiums are paid for coverage in a health insurance plan for employees and dependents, generally these payments are not subject to Social Security or Medicare taxes, but they are still subject to income tax withholding (this exclusion is only available for group policies available to employees in general or a specific class of employees).

2. Group Term Life Insurance Premiums (Include in payroll no less frequently than annually)

- a. Only employees other than more than 2% shareholders are eligible to exclude the premium cost of group term life insurance provided by the Company that relates to the first \$50,000 of coverage
- b. The total amount of premiums paid on behalf of the more than 2% shareholder in such a plan is taxable to them and subject to Social Security and Medicare tax. These amounts are not subject to income tax withholding or FUTA tax.

3. HSA Contributions by the Company (Generally, should be handled within regular payroll cycles)

- a. Contributions made on behalf of a more than 2% shareholder should generally be reported as W-2 wages unless contributions would mirror shareholder ownership percentages. Such amounts should be considered normal wages subject to all withholding rules and unemployment taxes on the regular pay cycle.

- b. The combined total of amounts included in the wages of a more than 2% shareholder and the shareholder's contributions to the HSA will be deductible on the shareholder's individual tax return (amounts reported as wages will be considered employee contributions rather than employer contributions).
- c. Shareholder contributions to the HSA are not eligible to be deducted from pre-tax income by the Company. Such amounts are included in normal wages subject to all payroll withholding rules and unemployment taxes. They are only deductible by the shareholder on page one of their individual tax returns before AGI.

4. Life Insurance Premiums - Shareholder owned policies (or where the shareholder is the beneficiary) (Include in payroll no less frequently than annually)

- a. While not a fringe benefit per se, amounts paid on behalf of any shareholder for a life insurance policy that they own, are the beneficiary of, or control such decisions will generally be considered additional non-cash compensation. Note – these rules would also apply to non-shareholder employees as well to the extent not subject to the special rules and exclusion available in a group term life insurance company plan.
- b. Compensation rules would not apply to a key man life insurance policy owned by the corporation where the company is the beneficiary. These premiums are not deductible, nor are the proceeds upon death included in taxable income.
- c. **Note** - Split Dollar and Reverse Split Dollar Policies require analysis of the compensation element.

5. Company Owned Autos (Include in payroll no less frequently than annually)

- a. The personal use of a company automobile is treated as compensation to all shareholders and employees, although the valuation methods permitted to be used to calculate taxable compensation are more limited in the case of more than 2% shareholders.
- b. A special rule permits employers to value the automobile fringe benefit for calendar year wage reporting using a November 1 to October 31 benefit year in order to permit the employer to calculate the compensation prior to December 31 each year (or using a December 1 through November 30 benefit year).
- c. The employer may choose whether or not to withhold income taxes on the amount taxable as wages for personal use of a company automobile, but must withhold Social Security and Medicare taxes. In order to make this choice, the employer must notify the employee in writing by January 31st (or within 30 days of when the vehicle is first provided to the employee) of the election not to withhold income taxes.

6. Other wage issues for more than 2% S-Corporation shareholders

- a. The employee's portion of accident & health insurance premiums deducted from wages cannot be a pre-tax deduction
- b. The employee's portion of HSA contributions deducted from wages cannot be a pre-tax deduction
- c. A more than 2% S-Corporation shareholder is also ineligible to participate in a cafeteria plan (i.e. – Section 125 flexible spending account plan)
- d. More than 2% shareholders in an S-Corporation are also ineligible for the following tax exempt fringe benefits available to other employees of the company:
 - i. Qualified achievement awards (e.g. - safety, longevity)
 - ii. Adoption assistance
 - iii. Transportation (commuting) benefits

Additional information can be found in IRS Publications 15 (Circular E, Employer's Tax Guide) and 15-B (Employer's Tax Guide to Fringe Benefits). A copy of these publications can be downloaded from the IRS website at www.irs.gov. Please also contact your Richey May tax professional if you have any questions or need assistance.