

FARAGALLA & Associates

Volume 1 / Issue 2

SOCIAL SECURITY ADMINISTRATION UPDATE

The maximum amount of wages subject to Social Security will rise from \$118,500, in 2016, to \$127,200 for 2017. Read more at: <https://www.ssa.gov/news/press/releases/#/post/10-2016-1>

RUSH FEE

For information received within the last **2 weeks** of the tax deadline (*see further in the newsletter for updated deadlines*), there will be a **\$50 rush charge** for the return to be completed in time to meet the filing deadline. However, based on the timing of the information submission and other factors, we cannot *guarantee* the timely completion of the return. There will also be a rush fee applied to any returns brought to us within **2 weeks** of the extension deadlines.

CREATING A PERSONAL BUDGET

“Do I need a monthly budget”. We probably get asked this question at *least* twice a week. Our answer is that unless you are independently wealthy or a lottery winner, you **should** be living on a monthly budget. So, how do you create a personal budget? Crafting a budget can generate *fear* in some people and excitement in others. It can become like a game, trying to save a little more money **every** month. A budget can be a simple or as *complex* as needed, however, all budgets should have the following items:

- Income earned, from all sources.
- Your list of expenses, beginning with absolute necessities and ending with optional/luxury items.
- The difference between income expenses, aka: the net amount.

When planning a budget, there are several things to consider. First, be **realistic** about the items placed on the list. This is not the time for wishful thinking. Look at your income and be *practical* about that home improvement project or vacation. Secondly, be aware of how much is **really** spent on certain line items, particularly groceries, entertainment and *eating out*. Small lunches and coffees can really add up. Lastly, when creating your budget, be sure to include monthly, quarterly, and **annual** expenses, such as insurance and taxes. Using a monthly budget allows for a quick evaluation of whether the numbers are going in the right direction or not. An *adjustment* can then be made to help achieve the desired bottom line.

If setting up a budget is intimidating or you have questions, we would be happy to help.

IS YOUR COMPANY A BUSINESS OR A HOBBY?

To constitute being a business, you must have a **profit motive** and have economic activity. To obtain profit motive you **must** have a *real economic profit* and not just operate for tax benefits. If the business is profitable **three** out of *five consecutive* years, it can be presumed to be a business and not as a hobby. Read more about the qualifications and the IRS **nine factor test** at <http://www.bizfilings.com/toolkit/sbg/tax-info/fed-taxes/profit-motive-required-to-claim-business-deduction.aspx>.



TAX RETURN DEADLINE DATES FOR THE 2016 TAX YEAR

Keep an eye out for our tax package in **January**

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January 31, 2017

W-2/1099 MISC – Information Returns (due to both recipient and IRS/SSA)

March 15, 2017

1065 – Partnership

1120S – S Corporation

April 15, 2017

1040 – Individual

1041 – Trust and Estate

1120 – C Corporation (*15th day of the 4th Month after year-end*)

FinCen Report 114 – Foreign Bank and Financial Accounts Report (FBAR)

May 15, 2017

990 – Exempt Organizations

July 31, 2017

Form 5500 – Employee Benefit Plans

Visit our website under Client Center – Letters for a detailed chart by the AICPA

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