

| Date                |  |   | Completed   |  |
|---------------------|--|---|---|--|
| <u>Payroll Date</u> | <u>Deposit Date</u>  |   |   |  |
| Nov 25 - 27         | Dec 2  | Semi-Weekly Payroll Tax Deposits. Employers that are semi-weekly depositors generally must deposit taxes withheld and FICA taxes on payrolls paid on Wednesday, Thursday or Friday on or before the following Wednesday, and deposit taxes from payments on other days on or before the following Friday. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and fourth quarter. |  |  |
| 28 - Dec 1          | 4  |   |   |  |
| Dec 2 - 4           | 9  |   |   |  |
| 5 - 8               | 11   |   |   |  |
| 9 - 11              | 16   |   |   |  |
| 12 - 15             | 18   |   |   |  |
| 16 - 18             | 23   |   |   |  |
| 19 - 22             | 28   |   |   |  |
| 23 - 25             | 30   |   |   |  |
| 26 - 29             | Jan 4  |   |   |  |
| 30 - 31             | 6  |   |   |  |
| 14                  | Michigan sales and use tax deposit for month of November to claim early payment discount.  |   |   |  |
| 15                  | Employers that are monthly depositors must deposit taxes withheld and FICA taxes on payrolls paid during November. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and fourth quarter.   |   |   |  |
| 15                  | Corporations with fiscal year ending December 31, March 31, June 30, or August 31: <ul style="list-style-type: none"> <li>Deposit estimated federal income tax electronically. Indicate Form 1120 and Federal Tax Deposit.</li> </ul>  |   |   |  |
| 15                  | Corporations with fiscal year ending September 30: <ul style="list-style-type: none"> <li>Federal Income Tax Return - Form 1120 or 1120-S.</li> <li>Deposit balance of tax due electronically. Indicate Form 1120 and Balance Due on Return.</li> <li>Pay accrued compensation, charitable contributions, retirement plan contributions, etc.</li> </ul> |   |   |  |
| 15                  | Corporations with fiscal year ending February 28, May 31, August 31, or November 30: <ul style="list-style-type: none"> <li>Pay CIT estimate to State of Michigan.</li> </ul>  |   |   |  |
| 21                  | Winter Begins at 11:48 PM, EST.  |   |   |  |
| 21                  | Michigan Sales, Use, and Withholding Taxes Return for the month ended November 30.   |   |   |  |
| 24                  | Christmas Eve.   |   |   |  |
| 25                  | Christmas Day.   |   |   |  |
| 31                  | Corporations with fiscal year ending August 31: <ul style="list-style-type: none"> <li>File CIT return and pay balance due to State of Michigan.</li> </ul>  |   |   |  |
| 31                  | New Year's Eve.  |   |   |  |

So that our staff may enjoy the holidays with their families, De Boer, Baumann & Company, PLC will close at noon on Thursday, December 24, 2015 and will reopen at 8:00 a.m. on Monday, December 28. We will also close at 3:00 p.m. on Thursday, December 31, 2015 and will reopen at 8:00 a.m. on Monday, January 4, 2016.

***Best Wishes for a Safe and Happy Holiday Season***

***From All of Us at De Boer, Baumann & Company, PLC***



| NOVEMBER |    |    |    |    |    |    | DECEMBER |    |    |    |    |    |    | JANUARY |    |    |    |    |    |    |    |
|----------|----|----|----|----|----|----|----------|----|----|----|----|----|----|---------|----|----|----|----|----|----|----|
| SU       | M  | T  | W  | TH | F  | SA | SU       | M  | T  | W  | TH | F  | SA | SU      | M  | T  | W  | TH | F  | SA |    |
| 1        | 2  | 3  | 4  | 5  | 6  | 7  | 1        | 2  | 3  | 4  | 5  |    |    |         |    |    | 1  | 2  |    |    |    |
| 8        | 9  | 10 | 11 | 12 | 13 | 14 | 6        | 7  | 8  | 9  | 10 | 11 | 12 | 3       | 4  | 5  | 6  | 7  | 8  | 9  |    |
| 15       | 16 | 17 | 18 | 19 | 20 | 21 | 13       | 14 | 15 | 16 | 17 | 18 | 19 | 10      | 11 | 12 | 13 | 14 | 15 | 16 |    |
| 22       | 23 | 24 | 25 | 26 | 27 | 28 | 20       | 21 | 22 | 23 | 24 | 25 | 26 | 17      | 18 | 19 | 20 | 21 | 22 | 23 |    |
| 29       | 30 | 27 | 28 | 29 | 30 | 31 | 24       | 25 | 26 | 27 | 28 | 29 | 30 | 24      | 25 | 26 | 27 | 28 | 29 | 30 |    |
|          |    |    |    |    |    |    |          |    |    |    |    |    |    |         |    |    |    |    |    |    | 31 |



December 2015

### **UNINTENDED INCORPORATION HAD TO BE RESPECTED FOR TAX PURPOSES**

A recent Tax Court decision concluded that the wife of a deceased Michigan business owner owed \$ 15,120 in federal income tax deficiencies and penalties for 2008 and 2009 after her late husband failed to correct the unintended registration of the family business as a corporation. The married joint-filing taxpayers in this case, Manjit and Bony Rochlani, owned a Michigan ticket sales company called Ultimate Presales. Mr. Rochlani started the business in 2006 and was the sole proprietor.

Without permission from his parents and while still a minor, one of the taxpayers' sons incorporated Ultimate Presales in Michigan in July 2006, using an online legal service. The son was blissfully unaware of the tax differences between a sole proprietorship and a corporation. When the corporate paperwork from the state arrived in the mail, Mr. Rochlani asked his son if he had incorporated the business (he had), but Mr. Rochlani did nothing to unwind the incorporation. In fact, Mr. Rochlani filed annual corporate reports for Ultimate Presales.

The Rochlanis used their personal credit cards to pay for expenditures related to the business because Ultimate Presales did not have its own credit card. All income from the business was deposited into the Rochlanis' personal bank accounts. (According to Mrs. Rochlani, Ultimate Presales at one time had its own bank account, but she closed it because it was never used). For 2008 and 2009 (the tax years in question), Mr. Rochlani prepared and filed Forms 1040. The returns reported Schedule C losses from Ultimate Presales of \$ 41,610 for 2008 and \$ 44,066 for 2009. In 2010, the IRS issued the taxpayers a notice of deficiency for 2008 and 2009. The notice reflected the disallowance of the taxpayers' Schedule C losses on the grounds that Ultimate Presales was a separate incorporated taxpayer. The unhappy taxpayers took their case to the Tax Court, but Mr. Rochlani passed away before they got there.

The Tax Court correctly determined that the main issue in this case was whether Ultimate Presales was a C corporation for federal income tax purposes or a sole proprietorship. While the evidence clearly showed that the taxpayers' son was not authorized or instructed by Mr. Rochlani to register Ultimate Presales as a corporation, Mr. Rochlani did nothing to undo his son's act after it was discovered. Mr. Rochlani then compounded his mistake by filing annual corporate reports with the state of Michigan, which effectively recognized and ratified the incorporation. As a result, the taxpayers were not eligible to deduct losses from Ultimate Presales on their personal federal income tax returns. A taxpayer's choice to adopt the corporate form requires the acceptance of its tax disadvantages. Courts have held that the corporate form may be disregarded where it is a sham or unreal, but the Tax Court did not feel that was the situation in this case.

Finally, the Tax Court concluded that the IRS was justified in imposing a 20% accuracy-related penalty because disallowing the taxpayers' Schedule C losses resulted in substantial understatements of federal income tax for the two years in question. Bottom line: total defeat for the taxpayers.

Taxpayers often fail to understand that when it comes to taxes, actual paperwork usually prevails over good intentions. For this reason, you should always turn over copies of any and all records pertaining to your business to your professional advisor. If the unwanted incorporation in *Rochlani* had been discovered by a tax professional before filing any federal returns that included Ultimate Presales income and deductions and before filing any annual corporate reports with the state, the whole problem could have been corrected with no tax damage done.