

THE KT ADDITION

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Friends for Life.

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DEPARTMENT OF LABOR OVERTIME REGULATIONS

AMANDA DOKTER, PHR, SHRM-CP, HUMAN RESOURCES MANAGER

Earlier this year the Department of Labor (DOL) released their highly anticipated regulation changes for the overtime exemptions under the Fair Labor Standards Act (FLSA). These regulations will not only change how some employees are paid, but how some employers do business. With an estimated 4.2 million employees affected, all employers should be aware of the final regulations and how they will affect their business.

- The salary threshold will increase to \$913 per week or \$47,476 per year while the threshold for highly compensated employees will increase to \$134,004 per year;
- the salary threshold will automatically increase every three years starting January 1, 2020;
- 10 percent of the salary threshold can be made up of nondiscretionary bonuses and incentive payments; and
- an effective date of December 1, 2016.

Since the regulations were released in May we've conducted presentations and have had countless conversations with business owners finding that there are a lot of questions about the law, the new regulations, and how they will affect the business community. Below is a list of commonly asked questions.

1. I pay my employee a salary over the threshold. Does



Amanda Dokter, PHR, SHRM-CP
Human Resources Manager

this make him exempt?

An employee's pay is not the only factor to consider when classifying an employee as exempt. The employee must also perform exempt level work (duties test).

2. My employee's title is manager. Does this make her exempt?

Job titles and descriptions should not be the sole resources used to determine if an employee can be classified as exempt. Employers should look at the actual job duties performed by the employee to make the determination. The employee must also meet the salary threshold and the salary basis test.

3. Can I make all of my employees non-exempt?

An employer can always classify

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(Department of Labor Overtime Regulations on page 1)

employees as non-exempt and pay them hourly. Remember that non-exempt employees are subject to overtime pay for hours worked over 40 in a work week and must track their hours.

4. How do I calculate an hourly rate for my new non-exempt employees?

If your employee rarely works over 40 hours in a work week you can use the below calculation.

$$\frac{\text{Weekly Salary}}{40 \text{ Hours per Week}}$$

If your employee consistently works over 40 hours in a work week you can use the below calculation. The example assumes the employee works consistently 45 hours each work week.

$$\left(\frac{\text{Weekly Salary}}{40 \text{ Hours per Week} + (5 \text{ Hours of Overtime} \times 1.5)} \right)$$

5. Can I pay my non-exempt employees a salary instead of hourly?

Yes. The set salary would pay the employee for a 40 hour work week; when setting this keep minimum wage in mind. Employees who work over the 40 hours would still need to be paid overtime for those additional hours; therefore they must track their time.

Non-exempt employees cannot flex their time between two work weeks to avoid overtime, however, they can flex their time within the work week. In the

example above the employee would be paid overtime for the 5 hours worked over 40 during the second week. Only governmental agencies can use comp time.

7. If my employee works 30 hours per week can I prorate the salary threshold based on her hours worked?

The salary threshold must be met regardless of the number of hours an employee works during the work week. The threshold cannot be prorated for part-time work.

8. Do my new non-exempt employees have to “punch a timeclock”?

Non-exempt employee are required to track their time, however, the DOL does not require the use of a timeclock. A paper timecard or other form of tracking is acceptable, as long as it is accurate.

9. What else should I consider when moving employees to non-exempt?

Employers should look over their policies and procedures to ensure all policies are written for non-exempt and exempt employees. Here are two that should be reviewed/developed.

- Overtime Policy – an employer can require preapproval for all overtime hours worked. Keep in mind that if an employee works overtime without getting approval you still have to pay them the overtime.

- IT/Technology Policy –Do your non-exempt employees have access to their e-mails after work and do they check them? These employees must be paid for all hours worked, even if those hours are outside of their normal working hours. Make sure your IT/Technology policy outlines your expectations for afterhours work/access to e-mails.

10. Is there a requirement to provide notice to affected employees?

The FLSA does not require employers provide notice to affected employees. I encourage employers to put together a communication plan that will inform employees how these changes will affect their position, income, and how they perform their job.

If you need more information or have specific questions that aren't addressed above please contact me at 605-716-8096.



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ACCELERATED DEDUCTIONS FOR BUILDING IMPROVEMENTS FOUND IN PATH ACT

JENNIFER KONVALIN, CPA, PARTNER

The PATH Act (Protecting Americans from Tax Hikes Act) of 2015 included a notable change starting in 2016 for bonus depreciation, or possibly the Section 179 expensing election, on a new class of property. Congress created a new category called “Qualified Improvement Property” which consists of types of property that is nonresidential real property that is typically subject to a 39 year recovery period.

There are 2 main requirements for something to be considered Qualified Improvement Property. The property has to be placed into service after 2015 and the improvements are to the interior of any nonresidential real property placed in service after the date the building was first placed in service.

If you enlarge the building, incur expenses for any elevator or escalator, or do any internal structural framework in the

building, those expenses do not qualify for this new class of property.

Take note, this is a new class different from what we previously had expanded for Qualified Leasehold Improvements. For Qualified Leasehold Improvements, the expenses had to be incurred to a building that had been in service for more than 3 years, and must have been subject to a third-party lease agreement.

Both the Qualified Leasehold Improvements and the new Qualified Improvement Property allow for 50% bonus deduction meaning that you get the expense in an earlier year, but over time you receive the same write off. Of course, the tax benefits of writing off over half your improvement in the first year likely can help fund these types of construction projects. Definitely it is still something to capitalize on.



*Jennifer Konvalin,
CPA, Partner*

This is an exciting new option for anyone who is making improvements to a commercial building which saw little fan-fare when the PATH Act was published. If you think this may apply to a project you are contemplating give us a call and we can help.

What's New?

1099s & W2s Filing Deadline Changed:

- E-Filed from March 31st to January 31st
- Paper Filed from February 23th to January 31st

Increased Penalties for late filing and incorrect filing.

AFFORDABLE CARE ACT UPDATE

KEVIN SICKELS, CPA, PARTNER

The Affordable Care Act (ACA) continues to be a part of everyone's life and every business owner has to plan for how it affects their business. For several years, we have had the individual insurance mandate, which requires every person to have health insurance coverage unless they meet an exception. In 2015, the employer insurance mandate went into effect for businesses with 50 or more Full Time Equivalents. This included potential penalties for not offering affordable health insurance coverage and reporting requirements to the IRS.

Here is a quick summary of new ACA information that you should be aware of:

Individual Health Insurance – Penalties

The penalties for individuals not having insurance continue to rise and more taxpayers will be subject to the penalty if they do not have health insurance coverage for their dependents and themselves. The penalty for 2016 has risen to the greater of 2.5% of household income or \$695 per adult (\$347.50 per child). The 2.5% of household income is capped at the average price of the Bronze plan sold through the Marketplace while the fee per person fee is capped at \$2,085. If you don't currently have insurance, you should consult a CPA about exceptions and exclusions related to the penalty.

Employer Health Insurance – Transition Relief and Compliance Test

In 2016, transition relief for employers expired. Companies

with over 50 full time equivalent employees are subject to all of the rules related to the ACA. Businesses that are subject to the mandate must offer insurance to a minimum 95% of all eligible individuals. If a business fails this test, they are treated for penalty purposes as if they offered no insurance at all. There is very little room for error.

Employee Status

Employees can be classified as Full Time, Part Time or Variable Hour Employees under the ACA. Full time continues to be any person that is reasonably expected to work more than 130 hours a month or 30 hours per week. If full time employees hours are reduced to under full time status, you have to continue to offer them coverage for the rest of the year. If an employee changes from part time to full time during the year, you have the same waiting period as a new employee before you would need to offer them insurance.

Review of Controlled Groups

As you are aware from past articles, the IRS has rules defining controlled groups when companies, including tax-exempt organizations, have similar ownership or similar control. It would be beneficial to review these rules with your CPA if you have had any changes in the past year.

Advanced Premium Tax Credit (APTC) Notices

Advanced Premium Tax Credit Notices have been issued by the Department of Health and Human Services. What we have seen so



*Kevin Sickels,
CPA, Partner*

far are notices informing employers about individual employees who are receiving the Premium Tax Credits from the exchange. This fall the IRS will also start auditing the Form 1094 and Form 1095s they received this last filing season.

2016 Filing Deadline

The deadline for Forms 1094 and Forms 1095 will be January 31, 2017 (along with other informational returns such as Forms W-2 and Form 1099-MISC). This is a much tighter deadline than we had this past year (June 30 and March 31). Currently there is no way to extend the due dates of these returns and the penalties for not timely filing are very high – as much as \$530 per form.

Ketel Thorstenson, LLP will once again be offering Form 1094/1095 preparation services.

If you are interested in learning more about our service or have any health care related questions, please contact a member of the Ketel Thorstenson ACA Team today.



TAX TIPS FOR FARMERS AND RANCHERS

MICHELLE MINNERATH, CPA, SENIOR MANAGER

This year has been tough on many farmers and ranchers in South Dakota due to the lack of moisture and the hail storms that have went through the region. Many ranchers have decided to sell down their herd due to lack of pasture, water, and hay. The IRS assists these taxpayers by providing a few deferral options. The first option requires the taxpayer live in a persistent drought area reported by the U.S. Drought Monitor and they had to sell breeding livestock due to the weather conditions. Contact Ketel Thorstenson to find out which counties qualify for the deferral this year. This election allows the taxpayer non-recognition of gain from the sale of this breeding livestock where replacement property is purchased within applicable time guidelines. The replacement period ends the first year after the first drought-free year for the region. The second option allows ranchers who had to sell more animals than their usual business practice due to the weather related conditions, the ability to defer or postpone reporting the income

from the additional animals for one year. An example: If in prior years the rancher normally only sells steers and keeps the heifers for replacement but this year due to the drought the rancher sold all the steers and the heifers. The rancher would be able to defer in this situation the income from the sale of the heifers for one year.

The new overtime rules going into effect December 1, 2016 has been all over the news. We have had many calls from our agriculture communities asking if they have to follow the new rules. The answer to that is very often no they do not. Any employer in agriculture who did not utilize more than 500 "man days" of agricultural labor in any calendar quarter of the preceding calendar year is exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act for the current calendar year. A "man day" is defined as any day during which an employee performs agricultural work for at least one hour. However, farmers and ranchers that have employees do need to keep track if they are required to file



*Michelle Minnerath
CPA, Senior Manager*

state and federal unemployment reports. They are required to file if they paid wages of \$20,000 or more to employees during any calendar quarter in 2016 or if they employed 10 or more employees during any 20 or more calendar weeks in 2016. Be careful on planning year-end bonuses because this is included in wages and could cause wages to go over this limit.

Please contact your KT representative with any questions you might have concerning the deferral options or the payroll issues that were discussed.

**HAVE AFFORDABLE CARE ACT QUESTIONS?
WE HAVE THE ANSWERS.
CALL THE KTLTP ACA TEAM AT 605-342-5630**



Kevin Sickels
CPA, Partner



Nina Braun
CPA, CFE, Partner



Jennifer Konvalin
CPA, Partner

BACKUP WITHHOLDING, FORM W-9, AND REFUSAL OF TAXPAYER IDENTIFICATION NUMBER

TRACI FITTING, EA, MANAGER

Have you received a Form W-9 and wondered “What do I do with this?” It is a question we hear frequently. The simple answer is, “Fill it out, and save yourself a lot of potential headaches down the road.”

There are certain times when payers of monies are required to fill out and submit information to the IRS. One type of these informational forms is called a 1099, and it reports various pieces of information to the IRS, such as what type of money was paid, who it was paid to, and how much was paid. The IRS uses this form to verify that the recipient is reporting income and the payer is deducting the correct amount on their respective income tax returns. One example of this would be for prize winnings. If a person wins \$600 or more in prizes or awards in a year, the payer is required to report that persons name, address, and Identification number, such as their Social Security or Federal ID number on a 1099-MISC. Failure on the part of the payer to fill out and submit Form 1099 to the IRS when required can result in penalties.

One way for payers to obtain the correct reporting information from the recipients is to give them a Form W-9, Request for Taxpayer Identification Number and Certification. This form is available at www.irs.gov along

with instructions. If you are given a Form W-9 and you don't fill it out and return it to the requester of the information, you could be subject to a \$50 penalty. The requester is then obligated to start backup withholding on any payments they give you. In other words, for every payment they make to you, they would be required to withhold 28% of the payment and submit it to the IRS. You would then get credit for the withholding on your income tax return when you file it. For the payer, it is prudent that the W-9 be given to the recipient before the money is given to them. Getting a W-9 filled out after payment is already made can be difficult. People sometimes move or they simply don't want the IRS to know that they received the money. If a reporting form is not properly issued to the IRS, it can lead to the loss of a deduction by the payer for the expenditure, as well as potential penalty assessment by the IRS.

The following are some of the types of payments made in the course of a trade or business that would require a Form 1099 to be filed, hence the need to have a W-9 on file for the recipient of the money. Rents of \$600 or more; gross royalties of \$10 or more; prizes, awards and other payments of \$600 or more; medical and health care payments of \$600 or more made to a physician, supplier, or other provider of medical or health care



*Traci Fitting
EA, Manager*

services; and fees, commissions, and other forms of compensation performed by nonemployees that amounts to \$600 or more.

If you would like to discuss the W-9 or if you have specific questions regarding the complex nature of Form 1099 reporting, please contact the professionals at Ketel Thorstenson. We are happy to assist you.



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CHOOSING THE RIGHT BUSINESS ENTITY

KRISTAL HAMM, CPA, ASSOCIATE

You are going to start a new business? Starting a new business is a great adventure. You will have a lot of hard work to do but the reward of owning your own business will hopefully be worth it in the end.

When starting a new business people usually don't think about what type of business entity their new company needs to be, other decisions seem more important. However, it is very important that the correct entity type for your business is selected and that it helps to achieve your business goals. A good lawyer will be able to draft any organizational documents you need but you should talk to your CPA to see what the tax consequences are for each business entity type you are considering. This discussion is very brief and only covers certain highlights of each entity choice.

So what are your options? While there are a wide variety of options, here is a list of the most prevalent: Proprietorships, S Corps, C Corps, LLCs, General Partnerships, Limited Partnerships, and Limited Liability Partnerships. What is the difference? Below is a brief description of each.

Proprietorships are very easy to start. There is minimal paperwork and the company information is reported on Schedule C inside the owner's Form 1040, individual income tax return. All profits are taxed to the owner at the owner's personal income tax rate. A Proprietorship has only one owner and there is no limit to liability and risk. Other disadvantages

may be that there is limited source of capital and all profits are subject to self-employment tax. The proprietorship ends with the death of the owner.

S Corporations are a pass-thru entity that avoids C Corporation double taxation. This means the shareholders report the corporate income or loss on their individual tax return and only pay tax at the individual level. The owners have limited liability and the corporation can go on forever. S Corporations can also minimize the self-employment tax for its shareholders. There are restrictions on the number of shareholders and the type of stock that can be issued. A disadvantage could be that the owner's individual income tax bracket could be higher than what the corporate income tax bracket would be if they filed as a C Corporation.

C Corporations are able to sell stock to raise capital and the owners have limited liability. A corporation that has not elected "S status" is called a "C Corporation." One disadvantage is that the income is subject to "double taxation". This means that the C Corporation pays tax on its profits each year and then any dividends paid to the owners are again taxed on the owner's income tax return, hence the double taxation. These entities are harder to form and dissolve. In addition, there are more administrative burdens.

General partnerships are arrangements between two or more people in business together. They are very simple to start.



*Kristal Hamm,
CPA, Associate*

However, the partners have unlimited liability risk. There is less administrative work and all income or loss is passed thru to the partner's tax return similar to the S Corporation. If the partnership is an active trade or business, the net income is subject to self-employment tax.

Limited Partnerships are a type of entity that allows all but one partner to have limited liability. At least one partner must be a general partner and have unlimited liability. The limited partners are generally not subject to self-employment tax but may be subject to net investment income tax if their adjusted gross income exceeds certain thresholds.

Limited Liability Partnerships are similar to general partnerships except that one partner is not liable for certain actions of another partner or the company employees. They are only liable for their own actions. This entity allows some flexibility to structure ownership interests

(Choosing the Right Business Entity continued on page 8)

(Choosing the Right Business Entity continued from page 7)

among partners and a pass-thru taxation method as well. It does not however protect the partner from professional malpractice.

Limited Liability Companies, or LLCs, can have an unlimited number of members and all members have a limited liability. The LLC can take on the tax identity of several different types while still maintaining a legal structure as a LLC. If the LLC has one owner it is treated as a

Sole Proprietorship. If the LLC has two or more owners, then for tax purposes it can be treated as a partnership, C Corporation or S Corporation. Members may participate in management but if they do then the portion of their income associated with management is subject to self-employment tax. LLCs may have a limited life and transferability of interests may be limited as well. **LLCs are the most**

popular form of business entity at this time due to income tax advantages and flexibility.

As you can see, making the choice can be pretty complex given so many options. The accountants at Ketel Thorstenson can help you choose the correct entity for your business, going over the pros and cons of each in more detail. Contact us today for more information.

STRATEGIC PLANNING SERIES: WHAT ARE THE INTANGIBLE ASSETS NOT LISTED ON A BALANCE SHEET?

ERICKA HEISER, MBA, CVA, SENIOR MANAGER

People often say, “Blue sky has no value; it’s a made up number.” Are you sure about that? In this article, we will explore the components that make up blue sky.

Blue sky is also known as goodwill or intangible assets. It isn’t cash, inventory, or equipment. Rather it is not tangible—we **can’t touch it but we know it has value.** Intangible assets are what entice an investor to purchase an existing, going concern business versus starting his/her own business from scratch. The components listed and discussed below are some intangible assets:

Assembled Workforce: A business that has skilled workers in place has significantly more value than a start-up company that has no skilled workers. Imagine starting an accounting firm with no CPAs. Finding educated, licensed and experienced accountants is

no easy feat. As such, we know that having a workforce of skilled workers, for example CPAs, translates to greater value.

Non-Compete Agreements: A company that relies on skilled employees who have formed relationships with its clients is so much more valuable when it has signed non-compete agreements with these employees. While not a bulletproof tactic, securing these agreements drastically reduces the likelihood that workers will leave your company and go start their own... possibly taking your clients with them!

Signed Contracts: Having transferrable signed contracts in place with key customers increases the value of a company. For example, an investment professional would much rather purchase an existing business that has signed contracts in place that



*Ericka Heiser
MBA, CVA, Senior Manager*

can be transferred to him/her rather than putting out a shingle and working to secure new contracts.

Location: We have all heard the phrase, “Location, Location, Location!” It’s true; securing a long-term lease or owning real estate in a prime location to attract customers or complement manufacturing processes definitely adds value to

(What Are the Intangible Assets Not Listed on a Balance Sheet continued on page 9)



(What Are the Intangible Assets Not Listed on a Balance Sheet continued from page 8)

a company. For example, Babybel Brand Cheese constructed a plant in close proximity to the dairy farms located near Brookings, South Dakota. This allowed for lower transportation costs and a fresher product to begin the process of making the cheese.

Equipment/Processes: Owning specialty pieces of equipment or intellectual property or having sound processes in place that are not easily duplicated, drive up the value of a business. An investor would much rather pay a premium for a business that doesn't require recreating the wheel.

Reputation: Of course, having a stellar reputation that provides free word-of-mouth advertising cannot be easily duplicated. It takes years of providing customers with excellent customer service and end-product to earn the trust and respect of customers for them to send their friends and family to you. However, if the reputation rests within the owner and not the company, it can be very difficult to transfer the reputation to a new owner. Having a well-rounded staff to share in the reputation and trust of customers further

increases the value of a company.

These examples are components of intangible assets. We can't touch them, but it's undeniable that they generate value.

Make sure to check out my next article in how to answer the question, "What is the value of the goodwill in my company?"

Do you or your clients have Business Valuation questions or needs? Contact the Business Valuation Team at Ketel Thorstenson today.

IS XERO SOFTWARE THE ANSWER FOR YOU?

JANEL FYE, ASSOCIATE, XERO CERTIFIED ADVISOR

If you:

- Just don't get that accounting stuff.
- Want to be more mobile with your business.
- Looking for a quick and easy way to record your payments both in and out.
- Have a business primarily run out of what is in your bank account(s) but you don't know how to record all of that "stuff".
- Are one of those businesses interested at looking for a different option for doing your daily bookkeeping.

We may have a solution for you.

There are several options for your bookkeeping needs and we would like to introduce you to a software called XERO.

There are many advantages to this software. You no longer have to figure out how to "reconcile your

bank statement". You don't have to set aside time to record your checks. Applying payments from your customers is quick and easy. You don't miss recording a payment, a check, a deposit, or possibly a fee. Creating an invoice is an easy process, integrating from your Point of Sale system, and tracking time for billing are all things that can be done quickly and easily and ends up in this accounting software.

Most of these actions can be processed with just a point and click. Another valuable feature is this is a cloud based or internet based software, meaning you can take care of this part of your business from wherever you may be. We all know that time is money and the time this saves can be significant. It makes this part of your business less stressful so that you can focus on what is more important to you, like



*Janel Fye, Associate,
Xero Certified Advisor*

making money.

If you think Xero sounds like it might be an option for you, Ketel Thorstenson has one of the first Xero certified advisors in Western South Dakota. Call today if you would like to discuss this accounting software further.

COMMON QUICKBOOKS QUESTIONS

ALI LARSEN, ASSOCIATE, QUICKBOOKS PROADVISOR

How to Change the South Dakota Unemployment Rate (SUTA)

When you receive a letter from the SD Unemployment Insurance Division at the end of each year, you will need to determine whether or not your rate has changed. If your rate has changed, you will want to update the payroll item in QuickBooks, preferably before your first payroll in the new year. If you have already processed payroll for the new year, no worries, you can still update the SUTA rate.

To change the SUTA rate, go to lists and then payroll item list. Right click and edit the payroll item. Once you get to the screen with the percentages, you can enter the new rate. A warning will pop up explaining that QuickBooks will not change completed paychecks, but will “catch up” using the new rate on new paychecks. The tax calculated will be higher or lower than normal until the year-to-date tax is in balance. Also, remember that most companies have two SUTA rates; UI contribution rate and investment fee rate.

Deleting Items from a Prior Year

A common question ProAdvisors get asked is if an item (check, invoice, deposit, etc.) can be deleted from a prior year. The answer is always “no.” Once a year, or even a period, has been tied out and closed, do not make changes to that data. Make a journal entry in the current period for a correction. Then, make a note in the memo indicating which check number or invoice number is being corrected for future reference.

For example, you are ready to close out July 2016 when you notice that you mistakenly entered two invoices for the November 2015 cleaning service. To correct this, create a credit memo in the current period, July 2016, to void that invoice. Then, apply the credit to the invoice. If you use the void feature in QuickBooks, it will void the invoice in 2015, which is not what we want.

To correct checks or deposits in prior periods, use a journal entry. For invoices and receivables, use a credit memo. Keep in mind, that if you are clearing old checks or deposits with a journal entry, you will need to clear the item and the journal entry in your bank reconciliation.



*Ali Larsen, Associate,
QuickBooks ProAdvisor*

How to Create a New Sales Tax Rate

After the new sales tax rate this summer a lot of questions came up on how to get the new rate into QuickBooks. This should be done by creating a new sales tax item, which will allow you to keep record of old sales tax items and won't adjust the sales tax on previous invoices. Please keep in mind that the sales tax items in memorized invoices will need to be updated to include the new state sales tax rate.

Call the KTLLP QuickBooks ProAdvisors team with your questions.



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WHERE WELLS FARGO WENT WRONG

KRISTEN REED, CPA, SENIOR ASSOCIATE

Since the subprime mortgage crash of 2008, big banks have been under intense scrutiny by both federal regulators and the public. They have slowly been trying to rebuild confidence in their services, but are facing another large setback. On September 8, 2016, the Consumer Financial Protection Bureau (CFPB) fined Wells Fargo \$100 million because employees of the bank created unauthorized deposit and credit card accounts across the country in order to collect financial bonuses for themselves. Many may see it as yet another problem with big banks, but it highlights a larger issue: the dangers of poorly monitored incentive-compensation programs.

In the case of Wells Fargo, the company built an incentive-compensation program that made it possible for employees to meet incentive goals by secretly signing up existing customers for new services that were never requested. The employees would misuse customer names and personal information to create new checking and credit card accounts to inflate their fee income, which meant they would get larger bonuses. These issues resulted in roughly 1.5 million deposit account openings which were unauthorized.

Incentive-compensative programs can be a useful tool to motivate employees, reach new sales targets, and grow

your business. When used appropriately, employees feel empowered and become personally invested in the performance of the company. However, when not applied properly (like appears to be the case of Wells Fargo), employees may feel pressured to meet unrealistic goals. Whether due to a high stress corporate culture, unrealistic sales goals, or poorly reviewed incentive programs, employees may be pushed to the point of fraud.

There are ways to monitor an incentive-compensation program to prevent a large scale problem:

1. Are the incentive goals achievable? Benchmarks should be lofty, but not unattainable. It is hard to keep shooting for a target you cannot see!
2. Is there a culture of honesty and integrity? If an employee has found a way to meet the incentive goals through unethical means, is the behavior strongly discouraged or it will be prohibited in the future? Consider how you want to be represented to your customers and the public. If an issue has been discovered, be clear that unethical behavior to meet incentive goals will not be tolerated. Implement controls to prevent such occurrences in the future.
3. Do the goals discourage teamwork? When incentive compensation is tied to group



Kristen Reed
CPA, Senior Associate

performance, an employee may become frustrated if there are perceptions of unequal contributions among group members. Group incentive compensation programs should set overall objectives, including individual's specific roles in meeting those objectives, to prevent misunderstandings.

4. Are the incentives competition based? These programs may inspire high performance on an individual level, but may also lead to employees sabotaging the efforts of their teammates to the detriment of the company overall. Try to structure these incentives to be reward-based, or external focused, such as making more sales than your top competitor.

5. Does the incentive reinforce the right behavior? If your company's mission is to provide excellent customer service, is

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(Where Wells Fargo Went Wrong continued from page 11)

your incentive program based on how many new customers you obtain? Or should it be based on customer retention? Be cognizant of matching your mission and goals to obtain the best result from the incentive program.

Incentive-compensation programs, when left unchecked, can have major consequences. When used appropriately, they could provide significant benefits. Individuals want to be given the chance to succeed, and incentive-compensation programs can

be the catalyst for innovation and increased productivity. How do they work for you?

Join the discussion online at the KTLLP blog (ktllp.com, click on KT Blog under News & Events, click on the Wells Fargo story).

New Federal Tax Law May Affect Some Refunds Filed in Early 2017

The IRS has announced initial plans for processing tax returns involving the Earned Income Tax Credit and Additional Child Tax Credit the opening weeks of the 2017 filing season. This action is driven by the PATH Act enacted in December of 2015. This new law mandates that no credit or refund for an overpayment for a taxable year shall be made to a taxpayer before Feb. 15 if the taxpayer claimed the Earned Income Tax Credit or Additional Child Tax Credit on the return. This change begins Jan. 1, 2017, and may affect some returns filed early 2017. The IRS will hold refunds EITC and ACTC related until Feb. 15. This allows additional time to help prevent revenue lost due to identity theft and refund fraud related to fabricated wages and withholdings. The IRS will hold the entire refund. Under the new law, the IRS cannot release the part of the refund that is not associated with EITC and ACTC. Taxpayers should file as they normally do.

Save The Date
Annual
Open House
Thursday, January 5, 2017
4:00-7:00 p.m.
810 Quincy Street, Rapid City

You're invited
to the annual
Spearfish Office
Open House
Thursday, October 6, 2016
4:00-6:30 p.m.
Joy Center at BHSU
1351 St. Joe Street, Spearfish

NEW VERSION OF FORM I-9 COMING

AMANDA DOKTER, PHR, SHRM-CP, HUMAN RESOURCES MANAGER

The U.S. Citizenship and Immigration Services (USCIS) announced that a new version of the Employment Eligibility Verification Form I-9 (Form I-9) will be available by November 22, 2016. Employers can continue to use the current version of the form until January 21, 2017. After January 21st all employers must switch over to the new form.

The Form I-9 was established in 1986 in order to verify the work eligibility of employees of US companies. Except for a few exceptions, all employers must complete the Form I-9 for all of their employees hired after November 6, 1986. The Form I-9 must be completed after a formal job offer has been made and before the end of the employee's third day of employment.

The Form I-9 isn't lengthy, but failure to complete it correctly can be costly. Here are a few tips for completing the Form I-9.

- Designate a Form I-9 expert(s) at your company. Have an individual who will help employees accurately complete section 1 of the form and who will accurately complete sections 2 and 3 of the form for the employer.
- Be familiar with the

acceptable documents an employee must present. Take time to review the documents, make sure they are not expired, and only accept originals, no photocopies. If you are not familiar with a document presented contact the US Citizenship and Immigration Services office (see website below).

- Complete any necessary follow-up. For certain citizenship statuses there is required follow-up; particularly if the employee's document has an expiration date. Make sure to set up a process in order to re-verify these documents as needed.
- Store your forms appropriately. The Form I-9 should not be stored in the employee's personnel file. They should be kept in a separate folder or binder in a secure location
- Follow the retention guidelines. The form must be retained the entire time the employee is employed with the company. After separation of employment the employer is required



**Amanda Dokter, PHR, SHRM-CP
Human Resources Manager**

to keep the form for three years after the employee's start date or one year after the employee's last day of employment, whichever is later.

- Conduct regular internal audits. It is best to review your forms annually. Make sure that all current employees have a Form I-9 completed, make sure all forms are accurate and if errors are found appropriately correct them, and verify if you are required to retain the documents or not.

For more information on the Form I-9 or to download the Employer Handbook go to www.uscis.gov/i9 or contact Amanda Dokter at 605-716-8096.

KT News

**We can't do what we do without the help of a GREAT TEAM.
Meet some of them.**

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EA, Senior Associate
Tax Department*



*Austin Eichacker
CPA, Senior Associate
Audit Department*



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*Brady Gabel
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Associate
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*Ashlee Becton
Seasonal Administrative Assistant
Tax Department*

KT News

**We can't do what we do without the help of a GREAT TEAM.
Meet some of them.**

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Accounting Services Department*

— SOUTH DAKOTA CPA AWARDS —



The SD CPA Society recognized Becca Ellis and Keegan Stock as top candidates on the Uniform CPA Exam. They passed all four sections of the CPA exam on their first attempt, sitting uninterrupted.

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