Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

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Back to School Myths: Student Loan Interest

As students from elementary age to grad level across the country head back to school this month, parents are grappling with how to pay tuition, buy school supplies and fit in all of those extracurricular activities. It can be difficult to figure it all out, and in an era where everyone seems to have an opinion about school (and paying for it), it can be even more difficult to separate fact from fiction. In my Back To School Myths series, I'll help you sort truths from myths when it comes to school and taxes. The first myth I'll tackle: There is no longer a deduction for student loan interest.

TRUTH: The student loan interest remains in place.

So why so much chatter about the demise of the student loan interest?

Visit Forbes to read more.

Treating Numbers Like Numbers
and People Like People

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401(k) Plan Compliance: What Plan Sponsors Need To Know

Defined contribution plans, and 401(k) plans in particular, offer myriad benefits for workers and employers, and these plans can be powerful tools to help organizations attract and retain talent. Despite these benefits, only 62 percent of private sector employees have access to a defined contribution plan, according to the Bureau of Labor Statistics. This figure drops to 41 percent for companies with 50 to 99 people.

One of the reasons that companies, especially smaller ones, are hesitant to offer a 401(k) plan is that setting one up may seem like an intimidating process. There is a litany of rules to understand and comply with, as well as forms that must be filed and decisions that need to be made. Then, once the plan is established, there are additional annual requirements involved in operating the plan.

For most companies, though, plan compliance doesn't need to be a barrier to offering a 401(k) plan to employees. Thanks to advances in technology, many 401(k) service providers are well-equipped to run the plan while you tend to your business's needs. It's important to remember that even if you hire a third-party administrator (TPA), you are still responsible for making sure the plan is compliant.

To help demystify the process of establishing and maintaining a 401(k) plan, we provide an overview of the steps to ensure your plan is working within the rules set by the federal government.

Establishing a Plan

Whether you hire an outside administrator or establish a 401(k) in-house, there are four basic items that need to be addressed at the start:

- **Plan document:** This is the 401(k) roadmap. It describes the type of plan you have established and includes details about investment, participation and vesting guidelines. The plan document also designates fiduciaries and administrators and identifies the roles they play. Participants receive an abbreviated version, which is called the Summary Plan Description.
- **Trust:** As a fiduciary and plan sponsor, you must act in the best interest of the plan participants. This includes setting up a trust to make sure the plan assets are held in an account that is used solely for 401(k) participants and not mixed with other company funds.
- **Recordkeeping system:** Sponsors need an accurate way to track the inflows and outflows of the plan's assets. The recordkeeper is a key resource in tracking this information as well as helping prepare the annual report and other federally required documents.

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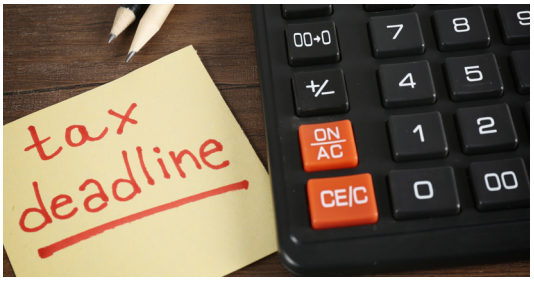
The (Real) Questions Committees Should Ask About Executive Compensation

"Are We Having Those Good Seafood Salad Sandwiches for Lunch Again?" That is an actual, and the only, question from a compensation committee member after an hour-long presentation of an analysis presented to highlight serious problems with a proposed compensation arrangement for the organization's CEO. There were more attorneys in the room than board members as a controversial, sure-to-be-litigated, pay plan was considered. Detailed reports were circulated in advance and the issues were spotlighted in the presentation.

Click here to read more.

October 15 Tax Extension Deadline Reminder



The IRS reminds taxpayers who requested an extra six months to file their 2017 tax return that Monday, October 15, 2018, is the extension deadline for most taxpayers.

For taxpayers who have not yet filed, here are a few tips to keep in mind about the extension deadline and taxes...

For more information visit IRS.gov.

> **401(k) Plan Compliance** *continued from page 1*

- **Employee statements and notices:** In addition to the Summary Plan Description, other communications participants must receive account statements; disclosure statements for plan features, blackout periods, fees, expenses, investment options and performance; and the Summary Annual Report, which is a digest of the information found in Form 5500.

Operating a Plan

Once a plan has been established, there are certain responsibilities that all sponsors face while the plan is being operated. Here are some of the most important elements plan sponsors need to maintain or monitor to ensure that the plan is compliant with federal law.

- **Plan contribution and compensation limits:** The Internal Revenue Service (IRS) sets these limits annually. Eligible participants can contribute up to $18,500 in 2018, and participants 50 and older can make an extra $6,000 in catch-up contributions. The total amount a participant can receive on all contributions is the lesser of 100 percent of the employee's pay or $55,000. For certain employees with compensation over an annual threshold, currently $275000, there are caps on funding limits imposed by the IRS.
- **Required Minimum Distributions (RMDs):** Participants who are age 70.5 or older and are not working for the company must start receiving an annual benefit distribution from the plan. More than 5% owners and certain relatives must take an RMD regardless of employment status.
- **Other distribution rules:** For traditional 401(k) plans, money is deposited pre-tax, accumulates tax free, and gets taxed when withdrawn; there may be other tax implications for early withdrawals before age 59.5. Contributions to Roth 401(k) plans are made using after-tax income, and distributions, including growth, are tax-free.
- **Form 5500:** This publicly available form goes to the IRS and Department of Labor each year and provides information about the plan and how it operates.
- **Testing:** Plans must undergo non-discrimination testing every year to make sure they benefit all employees equally, and not a specific group (such as highly compensated employees) more than another.
- **Deadlines:** Like the Form 5500, there are certain reporting deadlines to deliver plan information to various federal agencies. In addition, employer contributions must be completed by a certain date to be considered tax deductible. The safe harbor for small plans is 5-7 days but there is no safe harbor for most large plans. These rules are relatively subjective based on facts and circumstances.

Welcome to the Team!

Williams Overman Pierce would like to introduce two new Staff Accountants, Amber Milby and Hailey Mundy. Please join us in giving them a warm welcome.


Amber Milby


Hailey Mundy