NEW DEVELOPMENTS, YEAR END UPDATE

AND 1040 CONSIDERATIONS

JANUARY 2019

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NEW DEVELOPMENTS, YEAR END UPDATE
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I. SCHOOL DISTRICT AND LOCAL GOVERNMENT GUIDANCE

A. RESERVES AVAILABLE TO SCHOOL DISTRICTS AND LOCAL GOVERNMENTS

AS PERMITTED BY GENERAL MUNICIPAL LAW:

Capital Reserve

Capital reserves (GML §6-c, 6-g) available to counties, cities, villages, towns, fire districts, and town or county sewer and water improvement districts are used to finance all or part of the cost of construction, reconstruction or acquisition of a *specific* or *type* of capital improvement or the acquisition of a *specific* or a *type* item of equipment. Creation and use of a capital reserve is as follows:

Specific Capital Reserves

The creation of a specific capital reserve requires Board resolution, which must state the estimated maximum cost of the item of equipment or improvement. The establishment of a specific capital reserve is subject to permissive referendum if the authorization to issue indebtedness for the same improvement or equipment is subject to either a permissive or mandatory referendum, except for fire districts. For fire districts, the qualified electors of the fire district must vote and approve the establishment of the specific capital reserve. Expenditures from a specific capital reserve must be authorized by the Board.

Type Capital Reserves

The creation of a type of capital reserve should be authorized by the Board by formal resolution however, there is no requirement to state an estimated maximum cost of the equipment or improvement in the resolution. Except for fire districts, a referendum is not required when establishing a type capital reserve. For fire districts, the qualified electors of the fire district must vote and approve the establishment of the specific capital reserve. For certain municipalities, expenditures from a type of capital reserve are subject to permissive referendum. If the authorization for the purchase of such improvement or equipment is subject to permissive or mandatory referendum, the expenditure for the same purpose is generally subject to permissive referendum.

The capital reserves are funded by budgetary appropriations and revenues not required by law to be paid into any other fund or account. After all outstanding claims have been satisfied, the Board may appropriate all or part of any unexpended balances remaining in a specific or type of capital reserve to another capital reserve without referendum. If a specific capital reserve was established and the improvement or item of equipment was not acquired or completed, the transfer of funds is subject to permissive referendum if the authorization for the creation of the reserve was subject to permissive referendum. Additionally, while subject to a public hearing with fifteen days notice, the unexpended balance may be transferred to a retirement contribution reserve.

Employee Benefit Accrued Liability Reserve

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service (long-term compensated absences liability). This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations, with funds from other reserves as authorized under Article 2 of the General Municipal Law, by resolution subject to permissive referendum and such funds that may be legally appropriated. General Municipal Law (GML) allows local governments and school districts to establish an Employee Benefit Accrued Liability Reserve (EBALR) for the purpose of paying only costs associated with compensated leave paid directly to or on behalf of employees upon separation from employment. Expenditures can be made without voter approval. The reserve is accounted for separate and apart from all other funds of the school district and local government. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

However, unlike the liability calculation for compensated absences under GASB Statement No. 16, school districts and local governments cannot legally accumulate funds in an EBALR for salary-related costs, such as Social Security and Medicare taxes. Also, Other Post Employment Benefit (OPEB) costs, employer retirement contributions and/or retirement incentives for employees cannot be funded by EBALR. Presently, there is no other reserve fund authorized by the GML, or any other law for these salary-related costs. Instead, the school districts and local governments must appropriate funds in each year's budget to pay for salary-related costs associated with separation from employment.

Insurance Reserve

The insurance reserve (GML §6-n) is used to pay liability, casualty and other types of losses. The reserve may also be utilized to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions or judgments. It does not include accident, health, life or other specified losses. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The reserve is accounted for separate and apart from all other funds of the school district. Expenditures can be made without voter approval. The annual contribution to the reserve may not exceed the greater of $33,000 or 5 percent of the annual budget. If the Board decides it no longer needs an insurance reserve fund, it may transfer the monies remaining to any other reserve fund as authorized under Article 2 of the General Municipal Law or by Education Law Section 3651, subject to any liabilities incurred or accrued against the fund. Board members commit a misdemeanor if they authorize a withdrawal from or expend money withdrawn from the insurance reserve fund for any purpose not authorized by law. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Mandatory Reserve Fund

Mandatory reserve fund (GML §6-1) is required to be established to restrict the use of the proceeds of the cash sale of property or capital improvements and state and federal aid received for capital improvements, for the purpose of retiring the outstanding obligations that were issued to finance the improvements. The creation of the reserve is mandatory and voter approval is not required to expend monies from the reserve. Expenditures may only be made to retire the obligations issued to finance the capital improvement sold or for which federal or state aid is received. Board members commit a misdemeanor if they authorize a withdrawal from or expend money withdrawn from the reserve fund for any purpose not authorized by law. Excess funds that may remain in the reserve after all of the outstanding obligations have been retired may be used for any lawful purpose. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Repair Reserve

Repair reserve (GML §6-d) is used to pay the cost of repairs of capital improvements or equipment, which repairs are of a type not recurring annually or shorter intervals. The Board without voter approval may establish a repair reserve fund by a majority vote of its members. The reserve is accounted for separate and apart from all other funds of the school district and local government. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held and at least five days has elapsed between the publication of the notice of hearing and the date specified for the hearing, except in emergency situations. If no hearing is held, the Board must pass a resolution that is approved by at least a two-thirds vote. Additionally, at least one half of the amount expended must be repaid to the reserve fund in the next fiscal year and the balance be repaid by the end of the following fiscal year. Board members commit a misdemeanor if they authorize a withdrawal from or expend money withdrawn from the repair reserve fund for any purpose not authorized by law. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Retirement Contribution Reserve

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions made to the New York State and Local Employees' Retirement System. The reserve may be established by Board action and is funded by budgetary appropriation, revenues that are not required to be paid into any other fund or account, transfers from other reserve funds within legal requirements, and such other funds as may be legally appropriated. Expenditures from this reserve may only be made after the Board has passed a resolution authorizing the financing of retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. If the Board decides it no longer needs a retirement contribution reserve fund, it may terminate the reserve fund by formal resolution and transfer the monies remaining to any other reserve fund as authorized under General Municipal Law or by Education Law Section 3651. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Unemployment Insurance Payment Reserve

Unemployment insurance payment reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method (instead of the contribution method). The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Expenditures can be made without voter approval. Expenditures may be made only as required by law to pay into the Unemployment Insurance Fund in an amount that is equivalent to the amount of benefits paid to claimants. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Workers' Compensation Reserve

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. The reserve is accounted for separate and apart from all other funds of the school district and local government. Expenditures can be made without voter approval. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

AS PERMITTED BY EDUCATIONAL LAW:

Capital Reserve

Capital reserves (Education Law §3651) available to school districts are used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. If the voters determine that the original purpose for which the reserve was established is no longer needed, the reserve may be liquidated, the proceeds first be applied to any outstanding indebtedness and the remaining balance, if any, be applied to reduce the annual tax levy subject to certain limitations set in the law. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Property Loss/Liability Reserve

The property loss/liability reserve (Education Law §1709(8-c)) is used to pay for property loss and liability claims incurred. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Separate reserve funds must be established for property loss and for liability claims. The separate identity of each fund must be maintained, whether its assets consist of cash or investments, or both. Expenditures can be made without voter approval. For school districts, each reserve may not exceed the greater of 3% of the annual budget or $15,000. For BOCES, the total amount of reserves cannot exceed 3% of the annual budget. Once the reserve is established, the reserve fund may not be reduced (other than by payments for losses for which the reserve was established) below the estimated amount necessary to cover unsettled claims or suits. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Reserve for Inventory

Reserve for inventory is used to restrict that portion of fund balance which is not available for appropriation. This reserve is classified as nonspendable fund balance as per GASB Statement No. 54.

Reserve for Tax Reduction

The reserve for tax reduction (Education Law, §1604 & §1709) is for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years and to use them during that period for tax reduction. The reserve may be established by Board action and expenditures can be made without voter approval. This reserve is classified as unassigned fund balance as per GASB Statement No. 54.

Tax Certiorari Reserve

Chapter 588 of the laws of 1988 amended district real property §3651 of the Education Law to permit the establishment of a reserve fund for tax certiorari and to expend from the fund without voter approval of the qualified voters of the school district. The reserve is funded by budgetary appropriations.

The new Chapter further stipulates that the total of the monies held in the reserve fund shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings.

Any monies deposited to such a reserve fund which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is classified as restricted fund balance as per GASB Statement No. 54.

Excess Fund Balance – Creation of Reserves

If a District has excess fund balance, the District may utilize excess fund balance to establish reserve funds that do not require prior voter approval. The Commissioner has consistently ruled that districts may utilize these reserves provided that such reserve funds are established and the excess fund balance is appropriated to the reserve prior to the issuance of the tax levy *(Appeal of Muench, 43 Ed. Dept. Rep. 419, Dec. No. 15,039 [2004]; Real Property Tax Law Section 1318 (1)).*

Allocation of Interest

Monies residing in reserves throughout the year must have interest allocated to them based on their respective balances.

B. REAL PROPERTY TAX RELIEF CREDIT

New York State currently offers a property tax relief credit program for eligible taxpayers for fiscal years which began in 2016 and continues through 2019. The credit for fiscal years beginning in 2018 and 2019 will be based on a percentage of the property Basic STAR savings, using a progressive income-based percentage schedule. For example, a taxpayer with income at or below $75,000 would receive a credit payment of 60% of Basic STAR savings for 2018 and 85% of Basic STAR savings for 2019. Taxpayers with income between $75,000 and $150,000 would receive a credit payment of 42.5% of Basic STAR savings for 2018 and 60% of Basic STAR savings for 2019. Taxpayers with income between $150,000 and $200,000 would receive a credit payment of 25% of Basic STAR savings for 2018 and 35% of Basic STAR savings for 2019. Taxpayers with income between $200,000 and $275,000 would receive 7.5% of Basic STAR savings in 2018 and 10% of Basic STAR savings in 2019.

For Enhanced Star recipients, there is no income limitation. The amount of the credit payment is 26% of the Enhanced Star savings for 2018, and 34% for 2019.

In order to receive this credit, the taxpayer's school district must comply with the New York State property tax cap. In addition, you must receive either the Basic or Enhanced Star exemption or credit, and must have paid school property taxes for that year. Municipal compliance with the tax cap is only required for the Big four upstate cities (Buffalo, Rochester, Syracuse, and Yonkers).

Income for the purposes of the limitation above, for 2018, is defined as federal adjusted gross income (FAGI) for the 2016 tax year, with modifications that limit the following:

- The net amount of loss reported on Federal Schedule C, D, E, F, or any other separate category of loss does not exceed $3,000;
- The aggregate amount of all losses doesn't exceed $15,000.

C. TAX SHELTER ANNUITIES – LIMITATIONS

	2019	2018	2017	2016	2015
Exclusion for elective deferrals [IRC §402(g)(1)]	$19,000	$18,500	$18,000	$18,000	$18,000
Limitation on total elective and non-elective contributions [IRC §415 (c)(1)(A)]	$56,000	$55,000	$54,000	$53,000	$53,000
Limitation on deferrals under government [IRC §457(b)(2), IRC §457(c)(1)]	$19,000	$18,500	$18,000	$18,000	$18,000
Age 50 catch-up contributions limit (non-SIMPLE plans)[IRC §414(v)(2)(B)(i)]	$6,000	$6,000	$6,000	$6,000	$6,000
15 years of service catch-up limit	$3,000	$3,000	$3,000	$3,000	$3,000

D. RETIREMENT CONTRIBUTION PLANS UPDATE

New Contribution Rates

The 2018-2019 Teachers' Retirement Systems (TRS) employer contribution rate is 10.62%. The 2019-2020 TRS rate is estimated to be between 8.50% and 9.50% of payroll. According to TRS, investment returns have been favorable in recent years which resulted in the estimated decrease in the 2019-2020 employer contribution rate, however, future changes in the rate and whether the declining rate will continue are unknown at this time.

The 2018-2019 employer contribution rate for the Employees' Retirement System (ERS) is 21.4% for Tier 1, 19.5% for Tier 2, 15.8% for Tier 3 and 4, 13.0% for Tier 5, and 9.3% for Tier 6. For Tiers 1 and 2, this includes Plan ID 75i/75-h and school service option. For Tiers 3 through 6, this includes Plan ID A14 and A15, and school service option. The 2019-2020 rate for ERS is 21.2% for Tier 1, 19.4% for Tier 2, 15.8% for Tier 3 and Tier 4, 13.2% for Tier 5, and 9.3% for Tier 6.

The Police and Fire Retirement System employer contribution rate range for 2018-2019 for Tier 1 is 11.8% to 25.0%, Tier 2 is 10.3% to 24.7%, Tier 3 is 10.3% to 23.7%, Tier 5 is 6.6% to 20.1% (contributory), and Tier 6 is 2.7% to 15.0% (contributory). The 2019-2020 employer contribution rate range for Tier 1 is 12.0% to 25.3%, Tier 2 is 10.5% to 25.1%, Tier 3 is 10.5% to 24.2%, Tier 5 is 6.9% to 20.6% (contributory), and Tier 6 is 3.0% to 15.3% (contributory). Each percentage in the tier is determined based upon the various retirement plans related to that tier and does not include any additional plan options.

E. GASB UPDATE

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*.

This Statement establishes measurement criteria for the OPEB liability and was issued to improve the consistency, comparability and transparency of information reported by employers and governmental nonemployer contributing entities. It requires recognition of the entire OPEB liability and the following:

- One method, the entry age actuarial method, of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods.
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes in benefit terms.

- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

The Statement also provides for certain note disclosures and required supplementary information such as:

- For single and agent employers, a 10 year schedule as of the measurement date, presented as required supplementary information reporting the following information:
  - sources of changes in the net OPEB liability,
  - components of the net OPEB liability,
  - related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

For footnote disclosures, descriptive information is required including significant assumptions and inputs used to calculate the OPEB liability, including inflation, healthcare cost trend rate, salary changes, postemployment benefit changes, discount rate, mortality assumptions, the date of the actuary valuation or calculation, information about the changes of assumptions or other inputs and benefit terms, and the basis for determining employer contributions.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement is effective for reporting periods beginning after June 15, 2018. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. This can include requirements stemming from laws and regulations that require specific action such as with decommissioning nuclear power reactors and dismantling and removing sewage treatment plants, or through internal events such as the occurrence of contamination, abandoning a capital asset before it has been placed in service, or acquiring a capital asset that has an ARO already in place.

This Statement requires the recognition of a liability for these obligations when it has both occurred, and is reasonably estimable. The measurement of the ARO should be based on the best estimate of the current value of outlays expected to be incurred, and is required to be adjusted for the effects of general inflation or deflation at least annually. An annual evaluation of the relevant factors should also be conducted to determine if estimates significantly changed. In addition, a deferred outflow of resources associated with an ARO is also required to be recorded, and should be measured at the amount of the corresponding liability upon initial measurement. The deferred outflow of resources should be recognized in a systematic and rationale manner over the estimated useful life of the tangible capital asset.

Disclosures are also required about the nature of the AROs, the methods and measurements used for the estimate of the liabilities, and the estimated remaining useful life of the associated tangible capital asset. Information and facts about any AROs that are not recognized because they are not reasonably estimable is also required to be disclosed.

GASB Statement No. 84, *Fiduciary Activities*

This Statement is effective for reporting periods beginning after December 15, 2018, and provides guidance for identifying fiduciary activities and how these should be reported. The focus for determining fiduciary activities is primarily based on two factors, whether the government is controlling the assets of the fiduciary activity, and the beneficiaries with whom the fiduciary relationship exists. There are separate criteria outlined in the Statement to determine fiduciary component units and postemployment benefit plans that are fiduciary activities.

The criteria to be considered another fiduciary activity (excluding fiduciary component units and pension and OPEB arrangements) include:

- The assets associated with the activity are controlled by the government (including holding the assets, or having the ability to direct their use).
- The assets associated with the activity are **not** derived either solely from the government themselves, or from government–mandated nonexchange transactions or voluntary non-exchange transactions.
- The assets have one or more of the following characteristics-
  - Are administered through a trust in which the government itself is not a beneficiary, dedicated to providing benefits to recipients in accordance with the benefit terms, and legally protected from the creditors of the government.
  - The assets are for the benefit of individuals and the government does **not** have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are **not** derived from the government's provision of goods or services to those individuals.
  - The assets are for the benefit of organizations or other governments that are **not** part of the financial reporting entity. In addition, the assets are **not** derived from the government's provision of goods or services to those organizations or other governments.

The Statement identifies four kinds of fiduciary funds that may be reported: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. In addition, a Statement of Fiduciary Net Position, as well as a Statement of Changes in Fiduciary Net Position is required, for all of these funds. The Statement of Changes in Fiduciary Net Position should include additions and deductions by source/type with certain items required to be separately displayed such as investment earnings and administrative costs.

GASB Statement No. 85, *Omnibus*

This Statement is effective for reporting periods beginning after June 15, 2017, and is intended to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including but not limited to:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation

- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Various other OPEB related items including:
  - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
  - Classifying employer-paid member contributions for OPEB
  - Simplifying certain aspects of the alternative measurement method for OPEB
  - Accounting and financial reporting for OPEB provided through certain-multiple-employer defined benefit OPEB plans.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

This Statement is effective for reporting periods beginning after June 15, 2017. It establishes guidance for an in-substance defeasance of debt using only existing resources, as when a government places cash and other monetary resources in an irrevocable trust to extinguish debt. It amends portions of Statement No. 7, 23, 53, 62 and 65. This Statement does not include proceeds from a refunding, which are still covered under Statement No. 7. The proceeds put in the trust will be used solely for the payment of the principal and interest on the defeased debt. In addition, the possibility that the government would be required to make any future payments on the debt would need to be remote, and the trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal. In addition, the monetary assets held by the trust are required to provide cash flows that approximately coincide as to timing and amount, with the scheduled interest and principal payments on the defeased debt. This means that securities that can be paid before their scheduled maturities (for example, callable securities) are not considered risk-free and would not qualify for defeasance purposes.

The defeased debt would no longer be reported as a liability. For financial statements prepared on the economic resources measurement focus, the difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in-substance would be recognized, and separately identified as a gain or loss in the period of the defeasance. There would be no deferral of the recognition. For financial statements prepared on the current financial resources measurement focus, the reacquisition price would be reported as debt service expenditures. Footnotes are required to provide additional information, including the amount of debt that remains outstanding at the period end.

The Statement also requires that any prepaid insurance related to the extinguished debt be included in the net carrying amount of the debt for purposes of calculating the gain or loss to be reported on the economic resources measurement focus financial statements.

GASB Statement No. 87, *Leases*

This Statement is effective for reporting periods beginning after December 15, 2019, and establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

A lease, as defined for purposes of this Statement, is a contract that conveys control of the right to use another entity's nonfinancial asset as specific in the contract for a period of time in an exchange or exchange-like transaction. Non-financial assets include buildings, land, vehicles, and equipment. This would not include leases for intangibles (except for a sublease of the intangible right-to-use leased tangible asset), leases for inventory, service concession agreements, power purchase agreements, short-term leases, or contracts that ultimately transfer ownership of the underlying asset to the lessee. Short-term leases are defined as those that, at the commencement of the lease term, have a maximum possible term under the lease contract of 12 months or less, including any options to extend, regardless of their probability of being exercised.

Under the economic resources measurement focus, the lessee would recognize a lease liability, which would be measured at the present value of payments expected to be made during the lease term (less any lease incentives). In addition, a lease asset would be recorded, and should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

In subsequent periods, the lease liability would be reduced by the lease payments, and interest expense would be recognized for the interest payments. The lease asset would be amortized over the shorter of the lease term or useful life of the underlying asset. Note disclosures are required to include a description of the leasing arrangement, amount of lease assets recognized, and a schedule of future lease payments with principal and interest separately reported.

For the lessor, under the economic resources measurement focus, a lease receivable representing the present value of the lease payments expected to be received during the lease term would be recognized. The lessor should also continue to report the underlying asset. The lessor also recognizes a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

In subsequent periods, the lessor reduced the lease receivable for payments received, and records interest revenue for the interest received. The deferred inflow of resources is recorded as revenue in a systematic and rational manner over the term of the lease. The notes to the financial statements should include a description of the lease arrangement and the total amount of inflows recognized from leases.

The Statement also provides guidance on lease modifications and terminations, subleases and leaseback transaction, as well as contracts with multiple components and contract combinations.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement is effective for financial statements for periods beginning after June 15, 2018, with earlier application encouraged. This Statement was issued to address the inconsistency found in debt related disclosures, which made it difficult to assess the risks for financial statement users.

The Statement defines debt for disclosure purposes as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement also specifies that leases (other than those that transfer ownership), and accounts payable are not included in the definition.

The disclosures required by this Statement, which are in addition to other disclosures already required by previously issued GASB Statements include information about the following:

- Amounts of unused lines of credit
- Assets pledged as collateral for debt
- Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

In addition, information in the disclosures for direct borrowings and direct placements (changes in long-term debt, repayment schedules, assets pledged as collateral, etc.) should be separately reported from other debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

This Statement is effective for financial statements for periods beginning after December 15, 2019, with earlier application is encouraged, and should be applied prospectively. It provides that in financial statements prepared using the economic resources measurement focus, interest incurred before the end of the construction period should be expensed in the period the cost is incurred, and not capitalized as part of the historical cost of a capital asset. Previously, enterprise funds and business-type activities have capitalized these interest costs.

In addition, it reinforces that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure, consistent with governmental fund accounting principles.

GASB Statement No. 90, *Majority Equity Interests –An Amendment of GASB Statements No. 14 and No. 61*

This Statement is effective for financial statements for periods beginning after December 15, 2018, earlier application is encouraged, and should be applied retrospectively with the exception of paragraphs 8 and 9 of the Statement. The Statement was issued in order to provide clarification on when a government should report a majority equity interest in a legally separate organization as either a component unit or an investment.

For purposes of applying this Statement, GASB defines an equity interest as a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable.

The Statement provides that if the majority equity interest meets the definition of an investment in paragraph 64 of GASB Statement No. 72, the government should report the majority equity interest as an investment and measure it using the equity method as described in paragraphs 205-209 of GASB Statement No. 62, as amended (and not reported as a component unit of the government). However, the fair value measurement method as described in paragraph 64 of GASB Statement No. 72 should be used to report the equity interest if the investment is held by any one of the following types of governments or funds:

- Special-purpose government engaged only in fiduciary activities
- Fiduciary Fund
- Endowment (including permanent and term endowments)
- Permanent Fund

If the equity interest does not meet the definition of an investment, then the government is financially accountable for the organization and should report the legally separate organization as a component unit, either as a blended or a discretely presented component unit, as applicable. It should be reported as an asset of the government or fund that holds the equity interest, measured using the equity method as discussed above. If reported as a blended component unit, the asset and net position of the equity interest should be eliminated in the blending process.

The Statement also provided guidance on how to report an acquisition of a 100% equity interest in a legally separate organization that is reported as a component unit.

Further detail regarding the GASB Statements can be viewed at http://gasb.org

F. UNIFORM GUIDANCE PROCUREMENT CHANGES TAKING EFFECT FOR FEDERAL AWARDS

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, ("Uniform Guidance"), effective for new federal awards, and changes to funding increments with changed term and conditions issued after December 26, 2014, contains significant changes to the procurement rules for federal awards. These procurement rules contained a grace period which made the requirements applicable for fiscal years beginning after December 26, 2017, for those that elected the grace period. Therefore, a June 30th year-end who elected the extension is required to be in compliance with the new standards for the fiscal year beginning July 1, 2018.

The procurement standards are contained in sections 200.317 through 200.326 of the Uniform Guidance, and should be reviewed by all entities receiving federal awards to ensure that any requirement described as a "must" is being met. The standards include relying heavily on written documentation that must be maintained, as well as specific policies and procedures.

General Requirements

In general, the Uniform Guidance key requirements include (but are not limited to) the following for non-federal entities receiving federal awards:

- Must have written procurement policies that follow not just the Uniform Guidance, but all state and local regulations (provided they do not conflict with federal laws or the Uniform Guidance)
- Must maintain written standards of conduct regarding conflicts of interest. No employee, officer or agent may participate in the selection, award or administration of a contract supported by a federal award if he or she has a conflict of interest, either real or apparent. The standards must include the disciplinary actions that will be applied for any violations of the standards.
- Must avoid unnecessary or duplicative items. Also they are encouraged to use shared services agreements, enter into state and local intergovernmental agreements where appropriate, to foster greater efficiency and cost-effectiveness.
- Must award contracts only to responsible contractors while considering thing such as integrity of the contractor, past performance, and financial and technical resources. In addition, the non-federal entity must maintain proper oversight to ensure the contractor is performing in accordance with the terms and conditions in their contracts and/or purchase orders.
- Must maintain documents that detail the procurement history including the rationale for the method of procurement (discussed below), contract type, contractor selections or rejection, and the basis for the contract price.
- Full and open competition must be conducted. This precludes any contractor who participated in drafting specifications, requirements, invitations for bids or request for proposals from competing for the procurement. It also limits certain unreasonable requirements in the bids or request for proposals that are meant to limit competition, prohibits the use of geographic preferences in evaluating bids or proposals but provides certain exceptions, and requires that any prequalified lists be kept current.

Required Methods of Procurement

Non-federal entities must use the five procurement methods described in the Uniform Guidance. They include:

- Micro-purchases – purchases of supplies or services where the aggregate value does not exceed $3,000 (now increased to $10,000 as discussed below). These may be awarded without obtaining competitive quotes if the entity deems the price reasonable, and should be distributed among qualified suppliers, if practical.
- Small Purchases – simple and informal method for procuring services, supplies, or other items, that do not exceed the simplified acquisition threshold of $150,000 (now

increased to $250,000 as discussed below). Price or rate quotes must be obtained from an adequate number of qualified sources. The number of qualified sources, as well as the method of obtaining the quote (whether in writing, verbal, website pricing, or search engine, etc), is left at the discretion of the non-federal entity, to be included in their policy.

- Sealed Bids- Used for purchases over the simplified acquisition threshold now at $250,000, where publically solicited bids are obtained and a fixed price contract is awarded to the responsible bidder who conformed to the terms and conditions and is the lowest price. This is normally associated with construction contracts.
- Competitive Proposals- Used for purchases over the simplified acquisition threshold now at $250,000, whereby publically advertised requests for proposals are conducted (which identify all evaluation factors and their importance), and a fixed price or cost-reimbursement type contract is awarded. Competitive proposals are used when sealed bids are not appropriate. Contracts are awarded not just based on price, but where the firm's proposal is most advantageous to the program.
- Noncompetitive Proposals- This is procurement through a sole source, which is limited to specific instances such as when the item is only available from one source, a public emergency where the delay caused by competitive solicitation would not be permitted, the federal awarding agency or the pass-through entity such as New York State Education Department has expressly authorized it based on a written request from the non-federal entity, or after failing to get a required number of responses from competitive solicitation.

As mentioned above, when the Uniform Guidance was originally issued, it included a micro-purchase threshold of $3,000. It also included a simplified acquisition threshold (to be used for small purchases) of $150,000. The simplified acquisition threshold is set by Federal Acquisition Regulations, but is periodically adjusted. In June of 2018, the Office of Management and Budget (OMB) issued a memorandum entitled "*Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance*". It details how the federal government increased the micro-purchase threshold for all recipients of federal awards to $10,000, and the simplified acquisition threshold to $250,000. Normally these changes are not effective until they are codified in the federal regulations and Uniform Guidance. However, OMB has granted an exception for these thresholds, and recipients of federal awards may update their internal controls, and policies and procedures using the higher amounts, as of the date of the memo, June 20, 2018.

All entities receiving federal awards should review the Uniform Guidance and related guidance, as well as their current policies and procedures, to ensure they are in compliance with the new regulations.

G. OFFICE OF THE STATE COMPTROLLER BULLETIN UPDATE

The Office of the State Comptroller ("OSC") issued a bulletin titled "*Accounting and Financial Reporting for Other Postemployment Benefits as Required by GASB Statement 75*" in July 2018. The bulletin discusses the accounting treatment for other post-employment benefits (OPEB) and guidance on complying with the new standards in the Annual Update Document (AUD) and ST-3. The guidance in the bulletin focuses on single-employer defined benefit plans that do not meet the criteria of a trusted plan, as local governments and school districts in the New York State do not have legal authority to establish a trusted plan. The bulletin lists GAAP reporting requirements for financial statements prepared using the economic resource measurement focus and accrual basis of accounting, which includes the total OPEB liability, OPEB expense, and related deferred inflows and outflows. Employers are also required to complete note disclosures, required supplementary information and perform a retroactive restatement for all prior periods represented in the financial statements. Local governments that do not complete GAAP compliant financial statements are encouraged to implement these new standards as well, while they are not required to do so for AUD reporting purposes. School districts are required to complete GAAP compliant financial statements and therefore this reporting requirement should be reflected on the ST-3, on the Schedule of Non-Current Governmental Liabilities. Local governments should also allocate a portion of the total OPEB liability, OPEB expense, and deferred inflows and outflows of resources to the proprietary funds, if applicable, using an appropriate allocation method. They also need to include in the Schedule of Non-Current Governmental Liabilities, and any proprietary fund, on the AUD. The former supplemental schedule of Other Post-employment Benefits –OPEB has been removed from the AUD and ST-3.

H. CHILD NUTRITION PROGRAM –PROHIBITION AGAINST MEAL SHAMING AND OTHER CHANGES

Prohibition Against Meal Shaming

In 2018, New York State amended Education Law 908 by adding Section 1 of Part B of Chapter 56 of the laws titled "*Prohibition Against Meal Shaming*." The law states that beginning with the 2018-19 school year all public-school food authorities that require their students to pay for a school breakfast and/or lunch meal must develop and adopt a written plan to ensure that a student whose parent or guardian has unpaid meal charges is not shamed or treated any differently than a pupil whose parent or guardian does not have unpaid school meal charges. As such, this prevents a school from offering an "alternative" meal to students whose parent or guardian has unpaid meal charges. The new legislation requires school food authorities to provide students with the reimbursable meal of their choice in an effort to decrease student distress and embarrassment associated with not having adequate funds to pay for a meal or having unpaid meal charges. School food authorities were required to have their completed plans formally adopted by their governing body and effective as of July 1, 2018. In addition, school food authorities were required to submit their completed plans to the New York State Education Department as of the same date and are required to have the plan accessible on their District website.

Unpaid Meal Charges

The Prohibition Against Meal Shaming legislation specifically states that it is not intended to allow for the unlimited accrual unpaid meal charge debt. In their plans school food authorities must include specific procedures regarding their collection efforts on unpaid meal charges. All efforts must be directed to the parent or guardian and should provide for repayment options, if possible. Additionally, school food authorities must ensure that their school lunch fund is reimbursed for all outstanding meal charges as of June 30th of each school year. Funds used to reimburse the school lunch fund must be derived from a non-federal source, such as the District's general fund. Any funds recouped subsequent to the school lunch fund being made whole should be transferred back to the general fund or other account that was used to replenish the school lunch fund. School food authorities are required to maintain adequate documentation to support the transfer of funds to cover all unpaid meal debt within the school lunch fund.

<u>Breakfast After Start of the Instructional Day</u>

Section 2 of Part B of Chapter 56 amends the law to provide that all public elementary and secondary schools with at least 70% or more of its students eligible for free or reduced meals in the prior year, under the National School Lunch Program, must offer all students a school breakfast after the instructional day begins. If required to do so, each school will be allowed to determine the breakfast delivery model (i.e. breakfast served in the cafeteria, breakfast in the classroom, or "grab and go" breakfast) that best suits its students after consulting with teachers, parents, students, and community members. Time spent by students eating breakfast in their classrooms while instruction is being provided may be counted as instructional time. Schools must provide notice to parents and guardians that the school will be offering breakfast to students after the instructional day has begun. Districts will also have the option to apply for a waiver from this requirement with the Commission of Education if they feel their existing breakfast program is successful enough as is or that such a program would cause economic hardship for the District.

<u>School Lunch Subsidy</u>

Starting with the 2019-20 school year, Districts will be eligible for an additional lunch meal state subsidy of 25 cents for any school lunch meal served by the District, so long as they can certify to the State Education Department that it has purchased at least 30 percent of its total cost of food products for its school lunch program from New York State farmers, growers, producers, or processors in the preceding school year.

<u>Paid Lunch Equity (PLE) Guidance and Exemption</u>

Beginning with the 2018-19 school year New York State has provided that only school food authorities with a negative balance in their school lunch fund account as of January 31st must follow the PLE requirements when establishing their prices for paid lunches for the subsequent school year beginning on July 1st. School food authorities with a positive or zero balance in its school lunch fund as of January 31st are exempt from the PLE requirements. However, these school food authorities that wish to use the exemption must perform the following:

- Send an email to the State Education Department Child Nutrition Program Administration stating that they wish to use the PLE exemption. They should also include their complete District name and12 digit SFA LEA code.
- Attach the profit and loss statement from their school lunch fund as of January 31st to support that they meet the PLE exemption requirements.

Upon completion of these procedures, school food authorities will receive an email from the State Education Department indicating the status of their PLE exemption request. All documentation submitted to the State as well as the approval email must be maintained and readily available for review.

I. SCHOOL-LEVEL BUDGET AND EXPENDITURE REPORTING

New York State School Funding Transparency Reporting and Education Law Section 3614

According to the New York State Division of the Budget, New York schools are funded at the highest per pupil rate in the nation. In addition, education costs represent the largest share of the State Budget. In order to provide transparency on how education funds are being allocated and used by the districts to their individual school buildings, and to ascertain if the individual buildings amongst a district are being provided their equitable share of funding, New York State has passed Education Law Section 3614.

Education Law 3614 requires school districts to annually submit to the State Education Department and the director of the budget, a statement of funding allocation for each school in a district, for the upcoming school year. The Division of the Budget has developed the New York State School Funding Transparency Form for this purpose. The form captures various data including methodologies and rationales for school-level funding determinations, projected centralized costs which must be allocated using uniform decision rules to the individual schools, school-level student and staff information such as enrollment date and demographics, as well as any school-level allocations under any locally implemented per pupil funding formula.

For fiscal year ending June 30, 2019 reporting, the form itself is comprised of a five-part Excel file, as well as a two-part Word file. Districts with four or more schools (per SED's 2016-2017 School Report Card) that received over 50% of their total revenue from State Aid (per SED's 2015-2016 Fiscal Profiles Masterfile), or located in a city with populations greater than one million, were required to report. The Division of the Budget identified 76 schools that met this requirement for the fiscal year 2019 reporting, which was due August 31, 2018.

For the fiscal year ending June 30, 2020, all districts with four or more schools (per SED's 2016-2017 School Report Card) are required to report. There are 306 schools meeting this requirement. All 674 schools receiving Foundation Aid are then required to report for the fiscal year. Reporting for fiscal years ending 2020 and beyond is due prior to the start of the fiscal year ending June 30, 2021 (by June 30th of the prior year).

Once the forms are completed, they should be reviewed for consistency, accuracy and completeness of all data entered. As part of the Word file, a "*Certification of Authority and Accuracy*" must be completed and signed by the Superintendent (and attached as a PDF with signature), in addition to filing the Word and Excel files. The files are filed via email to the Division of the Budget, who will send a confirmation email noting the Division's, and SED's 30-day timetable for review. Additional information may be requested, in writing, from the Division, or SED. Districts that fail to file by the submission deadline, or do not fully complete the form, will have the annual State Aid increase for the district for the 2018-2019 school year temporarily withheld until the form is submitted in compliance with Education Law Section 3614.

Once the form has been submitted to the Division of the Budget and State Education Department, (or if a revised form is required to be submitted based on review) it is required to be published by the district on their website, for at least one full calendar year. The Division of the Budget will also be publishing all district submissions and the approval status of all submissions, on their website as well.

Guidance has been issued by the Division of the Budget, including a walkthrough of the various sections of the forms, as well as a frequently asked questions document, and is available on their website at www.budget.ny.gov.

Federal Spending Reporting per Every Student Succeeds Act (ESSA)

In addition to the budget reporting discussed above, in response to new federal regulations, schools will also be required to report actual school-level expenditures from the prior school year, to New York State, as part of New York State's approved Every Student Succeeds Act Plan. The form for this reporting will be developed by New York State, and is due December 31, 2019, for reporting of the 2018-2019 expenditures, for all schools. New York State is currently developing the guidance for this reporting, but has advised schools to prepare their accounting software and expenditure coding to comply with the State reporting discussed above, therefore they should be in a good position for this federal expenditure reporting.

II. TOP TEN INTERNAL CONTROL DEFICIENCIES CITED IN THE NEW YORK STATE COMPTROLLER'S REPORTS – SCHOOL DISTRICTS

10. School Food Service Program

- The Board did not adopt formal policies and procedures regarding cafeteria collections.
- The school lunch fund experienced an operating loss.
- The school lunch fund relied heavily on general fund subsidies and loans, which it may never be able to repay.
- School lunch collections were not deposited intact.
- School lunch collections were not properly recorded.

9. Cash Management

- District officials did not properly oversee the bank reconciliation and accounting processes of the Treasurer.
- District officials did not identify federal withholding penalties that were incurred and paid by the Treasurer.
- Bank reconciliations were not prepared timely.
- The bank reconciliations were reviewed by an individual who was not independent of the cash receipt and journal entry recording processes.
- The book balance for one of the District's bank accounts did not accurately reflect the true cash balance.

8. Online Banking

- The Board did not adopt a comprehensive online banking policy.
- District officials did not develop procedures to adequately segregate online banking duties.
- District officials did not ensure that authorized access to online bank accounts was limited.
- District officials did not provide online banking users with cyber security training.
- District officials lacked adequate banking agreements.
- Online banking users had excessive permissions.
- Users were able to access online banking from non-district devices.
- A dedicated computer was not utilized for all online banking.

7. Information Technology

- The Board did not adopt adequate information technology security policies and procedures.
- Officials did not disable or remove unnecessary user accounts in a timely manner.
- District officials did not properly secure the server room.
- District employees and staff were not provided information technology security or cybersecurity awareness training.
- The District's Disaster Recovery Plan was inadequate.
- Access to the District's financial application was not properly segregated.
- District computers were being used for personal use.
- Users accessed websites which were not related to business activities.
- The web filtering software did not enforce the technology use policy.

6. Payroll & Personnel

- The Board did not adopt written policies, and District officials did not develop written procedures formalizing controls and oversight associated with the payroll function.
- District officials did not properly monitor and approve overtime.
- District officials paid double time for hours worked on Sundays, which was not authorized by the employment contracts or by Board resolution.
- District officials did not independently verify whether retirees were living and still eligible for coverage.
- District officials did not ensure an independent review of separation payment calculations was performed for all payments processed in the payroll system.
- The District's payroll policy did not have adequate guidance relating to overtime.
- Overtime was not preapproved in writing.
- Errors were noted in the District's calculation of 403(b) matching contributions, and in the employee-paid portion of health and dental insurance premiums.
- An employee reviewed her own time sheet.
- Teachers were paid stipends at rates which were not established by a collective bargaining agreement, employment contract, or Board resolution.
- The head custodian did not sign off on employee time sheets to indicate his review of their hours worked.
- Leave balances were overstated and the system for tracking leave accruals was not reliable.

5. Transportation

- District officials did not apply for transportation aid in a timely manner, resulting in aid being delayed.
- The District did not ensure that all pre-trip bus safety inspections were completed and reviewed.
- The District did not sufficiently monitor in-house drivers or contractual transportation vendors.
- The District had no formal mechanism for following up on complaints.
- District officials did not account for all fuel inventories.
- Fuel purchases were not compared to fuel usage records.
- Fuel storage tanks were not adequately secured or inspected.
- Vehicle fuel inventory records were not maintained.
- Vehicle mileage records were not compared to fuel consumption.
- Bus drivers did not complete the required training.
- Bus drivers were omitted from random drug testing.
- Bus safety drills were not completed or adequately documented.
- The Superintendent did not annually approve all bus drivers.

4. Extraclassroom Activity Fund

- The Board and District officials did not adopt and implement procedures governing the operations of extraclassroom activity funds as required.
- The Board did not appoint a faculty auditor to reconcile the Central Treasurer's records with the extraclassroom clubs' records.
- The District's extraclassroom activity fund policy was not comprehensive.
- Cash receipts were not remitted to the Central Treasurer.
- Extraclassroom clubs did not maintain adequate supporting documentation for collections, and some clubs did not maintain ledgers.
- For extraclassroom collections, funds were not set aside for sales tax to be remitted to the State.
- Student treasurers did not issue duplicate press-numbered receipts or prepare adequate accountabilities for all extraclassroom collections.
- Student treasurers' records were inaccurate.
- Student treasurers were not adequately involved.
- The Central Treasurer and the clubs did not have supporting documentation for cash receipts.
- The Central Treasurer did not always deposit funds in a timely manner.
- The Central Treasurer did not issue pre-numbered, duplicate receipts for all funds placed in her custody.

3. Purchasing & Procurement

- The Board appointed two of its members to audit claims, rather than the entire Board as required by Education Law.
- The Board did not establish adequate policies or ensure that District officials developed adequate written procedures for procuring professional services.
- District officials did not seek competition, or did not properly award competitive bids for purchases or professional services providers.
- District officials lacked adequate evidence to show they sought competition for purchases.

- District officials made purchases without obtaining or documenting price quotes as required by the purchasing policy.
- Checks were printed and signed before the claims auditor audited and approved them.
- Claims were not audited and approved before payments were made.
- Claims were paid without the claims auditor's authorization.
- Not all individual claims were reviewed during the audit.
- The claims auditor approved claims for payment for purchases containing confirming purchase orders.
- The claims auditor did not audit and approve scholarship payments.
- The claims auditor did not review the detailed supporting documentation for health insurance claims.
- The District paid claims without proper supporting documentation.
- Purchases were made without requisition forms.
- Purchases were made without prior approval.
- The District lacked written contracts with professional service providers.
- An unauthorized employee was able to override the approval process for purchases.
- Expenses for cell phones were not properly approved, documented, or necessary.
- The District reimbursed employees for travel expenses in excess of federal per diem guidelines and District policy.
- The District reimbursed employees for unnecessary travel costs.

2. Reserve Funds

- The Board did not adopt a reserve policy.
- The District did not develop a written reserve fund policy that describes the maximum funding level and the planned use of the reserves.
- District officials did not prepare and submit a plan for reserves annually.
- District officials did not transparently budget to fund reserves, and instead passed consent resolutions at the end of each fiscal year to increase reserves.
- The District retained funds in the debt service fund which were not utilized for debt service payments.
- District officials improperly restricted funds in a debt service reserve in the debt service fund, which made it appear that unrestricted fund balance was within the statutory limit.
- Reserves were over funded or unneeded.
- Reserve funds were not utilized as intended or as budgeted.
- The District did not utilize available reserves for related expenditures.

1. Financial Management & Budgeting

- The Board did not adopt a comprehensive multi-year financial and capital plan.
- The Board did not adopt a fund balance policy.
- The Board relied on unrestricted fund balance to fund recurring expenditures, and completely exhausted the District's unrestricted fund balance.
- District officials did not perform budget transfers, which resulted in appropriations exceeding budgeted line items.
- District officials under estimated revenues.
- Adopted budgets overestimated appropriations.

- The District budgeted appropriated fund balance which was not utilized.
- The District's unrestricted fund balance exceeded the statutory limit.
- Despite budgetary surpluses and excess fund balance, the Board increased the tax levy.
- Despite significant amounts of accumulated fund balance, the Board annually increased the tax levy and did not take steps to reasonably fund reserves.
- District officials appropriated more fund balance than was available.
- Fund balance in the general fund decreased significantly during the year.
- The reported results of operations and fund balance in the general fund were inaccurate due to capital proceeds being transferred to, and accounted for in, the general fund, which should have been accounted for in the debt service fund.

III. EMPLOYER TAX AND REPORTING GUIDANCE

A. NEW YORK STATE MINIMUM WAGE

The minimum wage rates for New York are scheduled to increase each year on December 31st until they reach $15.00 per hour. There are different minimum wage rates for different industries. Effective December 31, 2018, the New York State general minimum wage is increasing from $10.40 per hour to $11.10 per hour. The Long Island and Westchester general minimum wage rate will be $12.00 per hour. Information from New York State Department of Labor can be found at https://www.labor.ny.gov/home/

B. IRS FORM W-2 & FORM W-3 REPORTING

Form W-2 Reporting

Employee Copies – Must be postmarked by January 31, 2019.

Electronic Payee Statements – If employees give their consent, you may be able to furnish Copies B, C, and 2 of Form W-2 to your employees electronically. See Pub. 15-A, Employer's Supplemental Tax Guide, for additional information.

Due Date for Electronic Filers – If you file your 2018 Form W-2 and Form W-3 with the Social Security Administration (SSA) electronically or in paper form, the due date is January 31, 2019. A 30-day extension to file Form W-2 may be requested using Form 8809 and is no longer automatic.

Form 944 – Use the "944" checkbox in **Box b** of Form W-3 if you filed Form 944, Employer's Annual Federal Tax Return.

Earned Income Credit (EIC) Notice – You must notify employees who have no income tax withheld that they may be able to claim an income tax refund because of the EIC. You can do this by using the official IRS Form W-2 with the EIC notice on the back of Copy B or a substitute Form W-2 with the same statement. You must give your employee Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC), or your own statement that contains the same wording, if certain conditions apply. For more information, see Section 10 in Pub. 15 (Circular E).

Election Workers - Report on Form W-2 payments of $600 or more to election workers for services performed in state, county, court and municipal elections. Do not report election worker payments on Form 1099-MISC. Mandatory Social Security and Medicare taxes apply to election workers not covered under a Section 218 Agreement in their State and who are paid $1,800 or more for 2018 and 2019. FICA is due on all wages, including the first $1,799 of the election workers wages if they exceed $1,800. If the employer anticipates the election worker exceeding the threshold, they may want to begin withholding FICA the first pay period.

Employment Tax Information – Detailed employment tax information (www.irs.gov) is provided in:

- Publication 15 (Circular E), Employer's Tax Guide
- Publication 15A, Employer's Supplemental Tax Guide
- Publication 15-B, Employer's Tax Guide to Fringe Benefits

Household Workers – Social Security and Medicare taxes apply to wages of household workers who are paid $2,100 or more for 2018 and 2019.

Incorrect Address on Employee's Form W-2
Employers may reissue a Form W-2 to the employee by placing the Form W-2 with an incorrect employee address in an envelope with the correct address for mailing to employees.

Box 1 – Wages

- Include total taxable wages, bonuses, tips, prizes and awards paid to employees during the year. Also include noncash payments and certain fringe benefits including but not limited to:
    - Taxable cost of group-term life insurance in excess of $50,000.
    - Taxable benefits from a Section 125 Plan if the employee chooses cash.
    - Certain scholarships and fellowship grants.
    - Nonqualified moving expenses and expense reimbursements.
    - The cost of accident and health insurance premiums for 2% or more shareholder-employees paid by an S corporation.
    - Employee or employer (if includible) contributions to an Archer MSA.
    - Payments for non-job-related educational expenses, unless they are excludable under the educational assistance programs.
    - Employee or employer (if includible) contributions to a Health Savings Account.
    - Employer contributions for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
    - Certain employee business expense reimbursements – payments in excess of the amounts treated as substantiated under an accountable plan and all payments made under a non-accountable plan.
    - Cost of current insurance protection under a compensatory split dollar life insurance arrangement.

Box 2 – Federal income tax withheld

Box 3 – Social Security Wages

- Total should not be more than $128,400 (for 2018).
- Total should not be more than $132,900 (for 2019).

Box 4 – Social security tax withheld

- 6.20% of amount reported in Box 3, not to exceed $7,961 for 2018 and $8,240 for 2019.

Box 5 – Medicare wages

- No wage base limit.

Box 6 – Medicare tax withheld

- 1.45% of amount reported in Box 5 (plus any additional Medicare tax).

Box 7 – Social security tips

Box 8 – Allocated tips

Box 9 – Do not enter an amount in Box 9 (unless you are participating in the W-2 Verification Code Initiative.)

Box 10 – Dependent care benefits

- Include dependent care benefits under Section 125 and Section 129. Report all amounts paid or incurred including those in excess of the $5,000 exclusion in Boxes 1, 3 and 5 as income. If reimbursed in subsequent year for current year, it must be reported on Form W-2. The employer should report the *Fair Market Value* of the daycare facility provided or sponsored by the employer.

Box 11 – Non-qualified plans

- Show the amount of distributions to an employee from a non-qualified plan or a non-governmental Section 457(b) Plan, also include these distributions in Box 1. Distributions from governmental Section 457(b) plans must be reported on form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts not in box 1.

Box 12 – Benefits included in Box 1

- Report the total value of taxable fringe benefits included in Box 1. Do not include amounts reported in Box 10.

- Do not report in Box 12 any items that are not listed as Codes A-HH below. (Do not enter more than four codes on each Copy A, use a separate Form W-2).
- Do not report Section 414(h) (2) contributions in Box 12. Instead use Box 14 for these items, and any other information that you wish to give to your employee.

  Applicable Reference Guide for Box 12 codes is as follows (enter codes using capital letter(s)):

  A. Uncollected social security or RRTA tax on tips
  B. Uncollected Medicare tax on tips
  C. Taxable cost of group-term life insurance over $50,000
  D. Elective deferrals under a Section 401(k) cash or deferred arrangement (including a SIMPLE 401 (k) arrangement)
  E. Elective deferrals under a Section 403(b) salary reduction agreement
  F. Elective deferrals under a Section 408(k)(6) salary reduction SEP
  G. Elective deferrals and employer contributions (including non-elective deferrals) to a Section 457(b) deferred compensation plan (state and local government and tax-exempt employers)
  H. Elective deferrals to a Section 501(c)(18)(D) tax-exempt organization plan
  J. Nontaxable sick pay
  K. 20% excise tax on excess golden parachute payments
  L. Substantiated employee business expense reimbursements (federal rate)
  M. Uncollected social security or RRTA tax on taxable cost of group-term life insurance coverage over $50,000 (for former employees)
  N. Uncollected Medicare tax on taxable cost of group-term life insurance coverage over $50,000 (for former employees)
  P. Excludable moving expense reimbursements paid directly to a member of the U.S. Armed Forces
  Q. Non-taxable combat pay
  R. Employer contributions to an Archer MSA
  S. Employee salary reduction contributions under a Section 408(p) SIMPLE plan
  T. Adoption benefits. Also, include adoption benefits paid or reimbursed from pre-tax contributions made by the employee under a section 125 plan.
  V. Income from the exercise of nonstatutory stock options
  W. Employer contributions (including employee contributions through a cafeteria plan) to an employee's Health Savings Account (HSA)
  Y. Deferrals under a section 409A nonqualified deferred compensation plan
  Z. Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
  AA. Designated Roth Contributions under a section 401(k) plan
  BB. Designated Roth Contributions under a section 403(b) plan
  DD. Cost of employer-sponsored health coverage

EE. Designated Roth contributions under a governmental section 457(b) plan
FF. Permitted benefits under a qualified small employer health reimbursement arrangement
GG. Income from qualified equity grants under section 83(i) (new for 2018)
HH. Aggregate deferrals under section 83(i) elections as of the close of the calendar year (new for 2018)

Box 13 – Checkboxes

- Check all the boxes that apply.
  - Statutory employee
    Check this box for all statutory employees whose earnings are subject to Social Security and Medicare taxes but not subject to Federal income tax withholding.

  - Retirement plan
    Check this box if the employee was an active participant (for any part of the year) in any of the following:
    1) A qualified pension, profit-sharing, or stock bonus plan described in Section 401(a) including a 401(k) plan;
    2) An annuity plan described in section 403(a);
    3) An annuity contract or custodial account described in Section 403(b);
    4) A simplified employee pension (SEP) plan described in Section 408(k);
    5) A SIMPLE retirement account described in Section 408(p);
    6) A trust described in section 501(c)(18);
    7) A plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457(b) plan).

  - Third-party sick pay
    Check this box only if you are a third-party sick pay payer filing a Form W-2 Form for an insured's employee or are an employer reporting sick pay payments made by a third party. See Sick Pay Reporting in Section 6 of Pub. 15-A.

Box 14 – Other

- If you included 100% of a vehicle's annual lease value in the employee's income, it also must be reported here or on a separate statement to your employee. You may also use this box for any other information you want to give your employee and label each item. For example – Section 414(h) contributions (not taxable on federal, taxable on state and city), union dues and uniform payments.

Box 15 through Box 20

- Use these boxes to report state and local tax information.

Form W-3 Reporting

A Form W-3 must be transmitted with copies of Form W-2 and filed by January 31, 2019. A 30-day extension to file may be requested using Form 8809 and is no longer automatic. You may owe a penalty for each Form W-2 filed late. File the entire Copy A page of Form W-2 with the entire page of Form W-3 at the following address:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

If you use "Certified Mail" to file, the zip code should be 18769-0002.

Amounts reported on related employment tax forms (for example Form W-2, Forms 941, 943, or 944) should agree with the amounts on Form W-3. If there are differences, you may be contacted by the IRS or SSA. You should retain a reconciliation for future reference.

Do not send undeliverable Form W-2s to the Social Security Administration. Keep undeliverable Form W-2s (employee copies) for four years demonstrating that you tried to deliver the Form W-2s, but could not. However, if the undelivered Form W-2 can be produced electronically through April 15th of the fourth year after the year of issue, you do not need to keep undeliverable employee copies.

C. IRS 1099 MISCELLANEOUS FORM REPORTING

In general, Form 1099-MISC must be issued to all persons where payments for rents or services (including parts and materials), prizes and awards, and other income payments are $600 or more. Generally payments to a corporation do not have to be reported on Form 1099-MISC. Attorneys and medical and healthcare providers are issued a Form 1099-MISC regardless of the type of entity ($600 or more threshold still applies). The Form 1099-MISC must be filed with the IRS by January 31, 2019, along with a 1096 transmittal form, when you are reporting nonemployee compensation payments in box 7. Otherwise, file by February 28, 2019 if you are a paper filer and April 1, 2019, for e-filers. The recipient's copy must be postmarked by January 31, 2019.

For entities located in New York State, the Internal Revenue Service Center paper filing address is:

Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301

D. PARTNERSHIPS AND CORPORATIONS

LLC Filing fee

For tax years ending 2018, the LLC filing fee, which is based on the amount of New York source gross income for the tax year immediately preceding the tax year for which the fee is due, is required to be filed or before the 15th day of the third month following the close of your tax year. There is no extension time to file Form IT-204-LL or pay the fee.

Partnership and Corporation Due Dates

- Partnerships-March 15, 2019 with a possible six-month extension to September 16, 2019
- C Corporations-April 15, 2019 with a possible six-month extension to October 15, 2019
- S Corporations-March 15, 2019 with a possible six-month extension to September 16, 2019

For C Corporations with fiscal years ending on June 30th, the new due date rules will go into effect for returns with taxable years beginning after December 31, 2025 (2027 filing season).

E. FRINGE BENEFITS

All fringe benefits are taxable unless the law specifically excludes it. IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits* discusses these exclusions in detail. Below is a highlight of some of the more commonly encountered fringe benefits.

1. Group Term Life Insurance

Under a group-term arrangement an employee may exclude from income the first $50,000 of coverage. If the employee receives more than $50,000 in group term life insurance, the following table should be used to determine the amount of taxable gross income:

Annual monthly cost per $1,000 of coverage over $50,000 (for 1 month)

Under age 25	$0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and above	2.06

To calculate the total cost to include in the employee's wages, multiply the monthly cost by the number of full months' coverage at that cost.

2. Automobile Expense

Employer-provided cars that are used exclusively for business purposes are excluded from an employee's income if the business use can be substantiated. The value of employer-provided cars used for personal purposes, such as commuting to and from work, is included in an employee's gross income.

Annual Lease Value
If an employer provides an employee with an automobile for personal use, the benefit provided may be calculated as the Fair Market Value of the Annual Lease of the automobile. For an automobile that is provided to an employee for less than an entire year, the value of the benefit provided is either a pro-rated Fair Market Value of the Annual Lease or the Daily Lease Fair Market Value, whichever is applicable. The amount of the Annual Lease value or a pro-rated Annual Lease Value or the Daily Lease Value, as applicable, is included in the gross income of the employee.

The Annual Lease Value of a particular automobile is calculated as follows:

- Determine the fair market value of the automobile as of the first date on which the automobile is made available to any employee of the employer for personal use.

- Select the dollar range in column 1 of the Annual Lease Value Table (see IRS Publication 15-B) corresponding to the fair market value of the automobile. The Annual Lease Value for each year of availability of the automobile is the corresponding amount in column 2 of the Table.

If substantiating records are maintained, the Annual Lease Value is then multiplied by the percentage of personal use. This amount is included in the employee's gross income.

Commuting Rule
The fair market value of the use of employer-provided commuter vehicles is included in an employee's gross income and is subject to withholding and employment taxes. Under a special valuation rule, however, the commuting use of an employer-provided vehicle is valued at $1.50 per employee for each one-way commute. Use of the commuting rule requires that the vehicle is used solely for business and commuting purposes. A written policy must exist stating that the employee is not allowed to use the vehicle for personal purposes other than commuting or de minimis personal use. Also, the employee cannot be a control employee.

Control Employee
A control employee cannot use the commuting rules. A control employee is defined for government employees by the IRS as any elected official or any employee whose compensation equals or exceeds Federal Government Executive Level V. For 2018 the level is $153,800. An employer can choose an alternative definition of a control employee as any highly compensated employee. A highly compensated employee for 2018 is anyone who either received more than $120,000 in pay the previous year or who owns 5% of the entity at any time during the current or previous year. Also, you can choose to ignore the first criteria of a highly compensated employee test (receiving more than $120,000 in pay the preceding year) if the employee was not also in the top 20% of earners with the organization for the preceding year. If based on the criteria above the employee is considered a control employee, the government must calculate the auto fringe benefit using the annual lease value.

3. Employee Benefits Accountable and Unaccountable Plans (See IRS Publication 463)

Reimbursements
A reimbursement or other expense allowance arrangement is a system or plan that an employer uses to pay, substantiate, and recover expenses, advances, reimbursements, and amounts charged to the employer for employee business expenses.

Reimbursement for the business use of a personal car by an employee can be based on the actual operating expenses of using a car or the standard mileage rate determined by the IRS.

Non Accountable Plan

The amount paid to an employee for travel and other necessary expenses of your business is treated as supplemental wages and is subject to income tax withholding, FICA & FUTA if the following conditions exist:

- Your employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation.

- You advance an amount to your employee for business expenses and your employee does not return timely any amounts not used.

- You advance or pay an amount to your employee without regard for anticipated or incurred business expenses.

Accountable Plans

To be an accountable plan, the employer's reimbursement or allowance arrangement must require the employee to meet all three of the following:

- There must be a business connection for the expenses – this is satisfied if the expenses have been paid or incurred in connection with the performance of services as an employee.

- The employee must adequately account to the employer for these expenses within a reasonable period of time - this is satisfied if enough information is submitted to the employer to enable the employer to identify the specific nature of each expense and conclude that the expense was attributable to the employee's business activities.

- The employee must return any excess reimbursement or allowance within a reasonable period of time.

If the employee meets these three rules for accountable plans, the employer should not include any reimbursements in gross income of the employee.

4. Per Diem Allowance

If the employee is reimbursed by a per diem allowance under an accountable plan and the per diem allowance is less than or equal to the federal rate, the allowance is not to be included in the employee's gross income. If the per diem allowance is more than the federal rate, the amount in excess is included in gross income of the employee.

5. Cell Phones

The value of the business use of an employer-provided cell phone will be considered a working condition benefit, if the cell phone was provided primarily for non-compensatory business reasons, and therefore, excludable from the gross income of the employee. Non-compensatory business reasons include:

- The need to contact the employee at all times for work-related emergencies,
- Requirement that the employee be available to speak with clients at times when they are away from the office,
- The need to speak with clients in another time zone at times outside of the employee's normal workday.

If you meet the non-compensatory business reason for providing the cell phone, any personal use of the cell phone will be deemed a De Minimis (minimal) fringe benefit, also excludable from the income of the employee.

If the cell phone is provided as a way to attract new employees, boost morale or goodwill, or to increase compensation to employees for example, you cannot exclude the value of the cell phone from gross wages.

IV. IRS MILEAGE RATES

The amounts for the various deductible costs for use of a car will be effective January 1, 2019 and are as follows:

- The standard mileage rate for the cost of operating a car will increase to 58.0 cents per mile for all business miles driven. The previous rate was 54.5 cents for 2018.

- The standard mileage rate for the use of a car when giving services to a charitable organization remains at 14 cents per mile.

- The standard mileage rate for use of your car for medical reasons will increase to 20.0 cents per mile. The previous rate was 18.0 cents for 2018.

- Starting with 2018, the moving expense deduction is available only to active duty members of the Armed Forces, at 20.0 cents per mile.

V. NOT-FOR-PROFIT UPDATE

There have been important changes to the New York Not-for-Profit Corporation Law ("NPCL") and other statutes relevant to nonprofit organizations. New standards were issued in August 2016 which represent the most significant changes to the Not-for-Profit (NFP) financial reporting in almost a quarter of century. The new requirements, issued in ASU No. 2016-14, are designed to make it easier for financial statement users and stakeholders to understand NFP Financials and are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this update is permitted.

The major differences between the new standard and existing practice involve increasing disclosures NFP entities are required to make in reporting cash flows and liquidity risks. The new rules allow nonprofit entities to choose whether to disclose information pertaining to the nature of expenses in the notes to the financial statements or on the face of the financial statement. In addition net assets will be reported in only two different categories instead of the three allowed under the former rules.

The main provisions of this update are summarized below:

- Net Asset Classifications – The current three classifications of net assets (unrestricted, temporarily restricted and permanently restricted) would be changed to two classifications (net assets with donor restrictions and net assets without donor restrictions).

- Statement of Activities – Present on the face of the Statement of Activities the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes. A NFP would continue to report the currently required amount of change in total net assets for the period.

- Cash Flows – Continue to present on the face of the Statement of Cash Flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

- Functional Expenses – All NFP organizations are required to present expenses by nature and function.

- Enhanced disclosures – All NFP organizations are required to provide the following enhanced disclosures:

    a) Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.

    b) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

c) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date.

d) Quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of a NFP's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.

e) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses may be reported on either the face of the Statement of Activities, as a separate statement, or in notes to the financial statements.

f) Method(s) used to allocate costs among program and support functions.

g) Underwater endowment funds, which include required disclosures of (1) a NFP's policy, and any actions taken during the period, concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate of the original gift amounts (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater (deficiencies), which are to be classified as part of net assets with donor restrictions.

- <u>Investment Return Disclosure</u> – All NFP organizations must report investment return net of external and direct internal investment expenses and are no longer required to provide disclosure of those netted expenses.

- <u>The Use of Placed in Service Approach</u> - Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from *net assets with donor restrictions* to *net assets without donor restrictions* for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

In November 2016, FASB issued ASU No. 2016-18, *Restricted Cash* which addresses the diversity that exists in the classification and presentation of changes in restricted cash on the Statement of Cash Flows under Topic 230, *Statement of Cash Flows*. The amendments in ASU No. 2016-18 apply to all entities that have restricted cash or cash equivalents and are required to present a Statement of Cash Flows under Topic 230. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and for all other entities for fiscal years beginning December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

ASU No. 2016-18 requires that a Statement of Cash Flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and end of period total amounts presented on the Statement of Cash Flows. ASU No. 2016-18 does not provide a definition of restricted cash or restricted cash equivalents.

In January 2017, FASB issued ASU No. 2017-02, *Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity,* which applies to a NFP that is a general partner or a limited partner of a for-profit limited partnership or a similar legal entity. FASB issued ASU No 2017-02 to amend the consolidation guidance in Subtopic 958-810, *Not-for-Profit Entities – Consolidation,* to clarify when a NFP that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis,* become effective.

ASU No. 2015-02 superseded guidance in Subtopic 810-20 and added new guidance for limited partnerships and similar legal entities to the general consolidation guidance in Subtopic 810-10, *Consolidation – Overall.* However, stakeholders noted when an NFP navigates directly to this guidance, it does not address when a general partner should consolidate a for-profit limited partnership, but rather when a limited partner should consolidate the partnership. The amendments in ASU No. 2017-02 uphold how NFP general partners currently apply the consolidation guidance in Subtopic 810-20 by including that guidance within Subtopic 958-810. Therefore, NFPs that are general partners continue to be presumed to control a for-profit limited partnership, regardless of the extent of their ownership interest, unless that presumption is overcome. The amendment also adds to Subtopic 958-810 the general guidance in Subtopic 810-10 on when NFP limited partners should consolidate a limited partnership.

ASU No. 2017-02 was effective for NFP's for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which guidance the entity will apply. Guidance in Subtopic 958-605 should be followed for contributions. For exchange transactions, other guidance should be followed such as Topic 606, Revenue from Contracts with Customers.

This Update clarifies how an entity can determine whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving value in return for the resources transferred based on the following:

1. A resource provider (including a foundation, a government agency, or other) is not synonymous with the general public. A benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.

2. Execution of a resource provider's mission or the positive sentiment from acting as a donor does not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

There may also be instances in which the resource provider is not itself receiving commensurate value for the resources provided. An organization would determine whether a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer, and if so, other guidance (such as Topic 606, Revenue from Contracts with Customers) would apply.

ASU No. 2018-08 also distinguishes between conditional and unconditional contributions. Under this ASU, a conditional contribution would arise if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. These improved guidelines could result in more grants and contracts being accounted for as contributions than under current GAAP.

This Update includes a useful diagram which illustrates the process for determining whether a transfer of assets to a recipient is a contribution, an exchange transaction, or another type of transaction and whether a contribution is conditional.

For more information, visit the FASB's website at www.fasb.org.

Tax Cuts and Jobs Act of 2017 Impact on Not-for-Profits

Provisions within the Tax Cuts and Jobs Act of 2017 (the TCJA) will have an impact on nonprofits. Potential unrelated business taxable income on certain employee benefits will have the most significant impact. Beginning January 1, 2018, certain employee benefits which were previously provided to employees' tax-free are now taxable. These benefits include expenses paid by an organization that are considered qualified transportation fringe benefits, expenses associated with any parking facility used to provide employee parking and expenses associated with an on-premises athletic facility. Nonprofits that continue to offer these benefits will need to either include these benefits as taxable income to employees, or elect to pay tax on these benefits by filing a Form 990-T, *Exempt Organization Business Income Tax Return*. The Internal Revenue Service has issued interim guidance regarding the treatment of qualified transportation fringe benefit expenses paid or incurred after December 31, 2017.

Another change per the TCJA is that previously organizations were able to net gains and losses among multiple unrelated business activities and pay unrelated business income tax on the net amount. Under the TCJA, if an organization has more than one unrelated business activity, it will no longer be allowed to offset gains from one activity with losses from a separate activity. The TCJA does not define what would be considered a separate unrelated business activity.

VI. HEALTH CARE REFORM CHANGES

The Patient Protection and Affordable Care Act is designed to ensure that all Americans have access to quality affordable health care, and is intended to create transformation within the health care system necessary to contain costs in the future. Under the law, a new "Patient's Bill of Rights" will give Americans the ability to make informed choices.

A. INDIVIDUALS AND FAMILIES

1. Open Enrollment for the Health Insurance Marketplace began in 2013. The enrollment period for 2019 is shorter than in previous years and is from November 1, 2018 through December 15, 2018. Eligible individuals and families can enroll or gather information at www.HealthCare.gov.

2. If you itemize your deductions on Form 1040, Schedule A, *Itemized Deductions*, you are able to deduct certain medical and dental care expenses for yourself, spouse and dependents that exceed 7.5% of your adjusted gross income.

3. Remaining in 2018 there is the premium tax credit for the insurance premiums obtained through the Health Insurance Marketplace. This tax credit was designed to make health insurance more affordable. There are income limitations on qualifying for the credit. The credit can be claimed in advance or with your filed tax return. If an advanced payment is received you are required to file Form 1040 in order to reconcile the advanced payment with the credit that you are actually entitled to, and this may result in having to pay back part of or all of the advanced payment received. This credit remains for 2019 with indexing adjustments made by the IRS.

4. Starting in 2014 and continuing to 2018, you and your family must have minimum essential health care coverage or have an exemption for coverage. If one does not have either, a payment will be required to be made with your tax return.

5. The IRS has issued the following forms that taxpayers need to maintain for their records or file with their tax returns:

   a. Form 1095-A – Health Insurance Marketplace Statement: Marketplaces must provide this form to all enrollees by January 31st following the year of coverage.
   b. Form 1095-B – Health Coverage: Insurers and self-funded plans must provide this form to each enrollee.
   c. Form 1095-C – Employer-Provided Health Insurance Offer and Coverage: Applicable large employees must provide this form to each enrollee.
   d. Form 8962 – Premium Tax Credit
   e. Form 8965 – Health Coverage Exemptions

6. Health Savings Account ("HSA")

   a. The annual contribution limit for HSA plans for 2018 is $3,450 for individuals and $6,900 for an individual with family coverage. These contributions are not subject to tax. The contribution limits will be increasing for 2019 to $3,500 for individuals and $7,000 for an individual with family coverage.

   b. HSA holders 55 and older, can save an additional $1,000 bringing the single amount to $4,450 and $7,900 for a family in 2018.

   c. High deductible health plans allow for an annual deductible that is no less than $1,350 for self-only coverage or $2,700 for family coverage for 2018. Annual out of pocket costs cannot exceed $6,650 for self-only coverage or $13,300 for family coverage.

7. Flexible Spending Arrangement ("FSA")

   a. The annual contribution limit for an FSA for 2018 is $2,650 and increases to $2,700 in 2019. Any contribution to the health FSA plan by an employer is in addition to the amount elected by the employee.

   b. If there is a balance in your FSA plan at the end of the year, your plan may have one of the following features:

      1. Grace period extension - FSA plans are permitted to allow for a maximum grace period of 2 months and 15 days following the end of the plan year for unused contributions to be used against expenses incurred in the subsequent plan year.

      2. Carryover – FSA plans can allow participants to roll forward up to $500 of amounts not utilized to the subsequent year. This rollover will not affect the annual contribution limit described above.

   c. Please note that the FSA Plan can have only one of the features above and not both. The FSA Plan is not required to offer either one.

B. <u>EMPLOYERS</u>

1. In 2016, the Protecting Affordable Coverage for Employees (PACE) Act gave states the ability to define "small-group employer" as either less than 51 employees or less than 101 employees. Back in January of 2016, New York State chose to define small employers as 100 or fewer full-time equivalent employees which will make them eligible to purchase affordable insurance through the Small Business Health Options Program ("SHOP").

2. Employers are required to report the value of coverage under an employer-sponsored group health plan on box 12 of the W-2 with a code of "DD".

Employers that provide "applicable employer-sponsored coverage" under a group health plan are subject to the reporting requirements. The Internal Revenue Service has stated that any expansion of the reporting rules or ending of the transitional relief which continues for the 2018 tax year will only apply for calendar years that start at least six months after the new rules are issued. See http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage for more information.

3. Small business owners could be eligible for the Small Business Health Care Tax Credit if they purchased coverage through SHOP and pay at least 50% of the full-time premiums on behalf of employees enrolled in a qualified health plan and have less than 25 full-time equivalent employees with average wages of $50,000 (adjusted for inflation) or less. An employer may claim the credit for no more than two consecutive taxable years, beginning with the first taxable year in or after 2014 in which the eligible small employer attaches a Form 8941, *Credit for Small employer Health Insurance Premiums*, to its income tax return.

4. Employers that self-insure may be required to pay a fee to fund the Patient Centered Outcomes Research Fund, see https://www.irs.gov/affordable-care-act/patient-centered-outcomes-research-trust-fund-fee-questions-and-answers for more information.

5. Continuing in 2018, all employers, regardless of size, that provide self-insured health coverage to employees must file an annual return reporting certain information for each employee covered.

6. Employers with 50 or more full time employees (including full-time equivalents) could be subject to a penalty fee if adequate affordable coverage is not offered to full time employees and one or more of these employees get a premium tax credit.

For more information, visit https://www.healthcare.gov.

VIII. 1040 CONSIDERATIONS

The following is a summary of the new tax law changes:

A. TAX RATE BRACKETS

In 2018 the 37% tax bracket applies to taxable income that exceeds $500,000 for single and head of household taxpayers, $600,000 for married persons filing jointly ("MFJ") and qualifying widow/widower, and $300,000 for married persons filing separate ("MFS"). All of the other tax brackets have been adjusted for inflation.

Workers with wages and other compensation in excess of $250,000 for MFJ, $125,000 for MFS, and $200,000 for all others are subject to the additional Medicare tax of .9%. Employers are obligated to withhold the additional tax beginning in the pay period when wages exceed $200,000 for the calendar year. The employer is obligated regardless of the filing status or income from other sources. If the taxpayer does not owe the additional withholding for Medicare, they can claim a credit on their 2018 income tax return.

B. PREFERENTIAL RATES FOR CAPITAL GAINS AND QUALIFIED DIVIDENDS

Unchanged for 2018, qualified dividends and long-term capital gains can avoid tax totally under the 0% capital gains rate, or be subject to capital gains rates of 15% or 20%. The capital gains rate depends on taxable income, how much of the taxable income consists of qualified dividends and eligible long-term gains, and filing status. The 20% capital gain rate applies to single taxpayers with taxable income over $425,800, MFJ taxpayers with taxable income over $479,000, and for head of household taxpayers with income over $452,400.

C. NET INVESTMENT INCOME TAX

The net investment income tax (“NIIT”) is still applicable for 2018. This affects income tax returns of taxpayers who have net investment income and have modified adjusted gross income (“MAGI”) over the following thresholds: $250,000 for MFJ or qualifying widow/widower, $125,000 for MFS, $200,000 for single, and $200,000 for head of household.

If MAGI exceed the threshold, a 3.8% tax applies to the lesser of the net investment income or the excess of MAGI over the threshold.

D. PERSONAL EXEMPTIONS AND ITEMIZED DEDUCTIONS

The personal exemption has been eliminated for 2018. This elimination modifies the level of income which a taxpayer must file a return. For most taxpayers, the filing requirement will be based solely upon the standard deduction available to them.

Following are changes to itemized deductions:

- Deduction for state and local income taxes, personal property taxes and real estate taxes will be limited to $10,000 in total.
- Mortgage interest is allowed on new mortgages up to $750,000. Interest on the portion of the mortgage not used to buy, build or remodel your personal residence is not allowed. Old acquisition indebtedness limits of $1,000,000 still apply to taxpayers who refinance pre-December 15th providing the new indebtedness does not exceed the existing balance of the original debt.
- Charitable donations of cash will be limited to 60% of AGI in 2018.
- All miscellaneous deductions formerly subject to the 2% threshold will no longer be available. Some examples of these expenses are employee business expenses, tax preparation fees, investment expenses.
- Casualty losses will now only be allowed with regard to presidentially declared disaster areas.
- Gambling losses remain deductible as a miscellaneous itemized deduction not subject to the 2% limitation.
- The overall itemized deduction limitation of 3% of the excess of adjusted gross income over the threshold amount has been suspended.

E. PATIENT PROTECTION AND AFFORDABLE CARE ACT

Still in effect for the 2018 calendar year, individuals must carry minimum essential health care coverage. Individuals and families are able to acquire coverage through the Patient Protection and Affordable Care Act market place. Individuals with marketplace coverage may be entitled to the §36B premium assistance tax credit when filing their 2018 tax return. If a taxpayer received an advanced payment of the credit, they are required to file a 2018 Form 1040.

For 2019 the §36B premium assistance tax credit is available for taxpayers who meet the following household income criteria:

- $12,140 to $48,560 for one individual;
- $16,460 to $65,840 for a family of two; and
- $25,100 to $100,400 for a family of four.

Taxpayers should receive one of the following forms which pertain to healthcare coverage and these forms should be utilized when filing your 2018 returns:

- Form 1095-A Health Insurance Marketplace Statement
- Form 1095-B Health Coverage (sent out on or before March 4, 2019)
- Form 1095-C Employer-Provided Health Insurance Offer and Coverage (sent out on or before March 4, 2019)

There are exemptions provided by the IRS which can be claimed on Form 8965 – Health Coverage Exemptions. These include:

- Religious conscience objections
- Members of federally recognized Native American tribes
- Members of health care sharing ministries
- Individuals who are incarcerated
- Lack of affordable coverage
- Household income below filing level
- Certain hardships

F. STANDARD DEDUCTIONS

The standard deduction for 2018 increases to $24,000 for MFJ and surviving spouse, $18,000 for head of household, or $12,000 for all other taxpayers. The additional standard deduction for being 65 or older or blind is $1,600 if single or head of household ($3,200 if 65 and blind). If MFJ, the additional standard deduction is $1,300 if one spouse is 65 or older or blind, $2,600 if both spouses are at least 65 (or one is 65 and blind).

G. DEDUCTION FLOOR FOR MEDICAL EXPENSES

Effective for 2018, the floor for deducting medical expenses as an itemized deduction is 7.5% of AGI for all taxpayers.

H. SOCIAL SECURITY WAGE BASE

For 2018, the tax rate on the employee portion of social security is 6.2% on wages up to $128,400; therefore, social security tax withholdings will not top $7,961. Medicare tax of 1.45% is withheld from all wages regardless of amount.

Self-employment taxes of 15.3% apply to earnings up to $128,400 after the earnings are decreased by 7.65%. The 15.3% rate equals 12.4% for social security plus 2.9% for medicare. If net earnings are in excess of $128,400, the 2.9% Medicare rate applies to the total amount. One half of the self-employment tax may be taken as an above the line deduction. The maximum self-employment social security tax is reached at $15,921.

Note that if earnings exceed the applicable threshold, net self-employment earnings could be subject to the .9% additional Medicare Tax – see Tax Rate Brackets.

I. IRA AND ROTH IRA CONTRIBUTION PHASE-OUT

For 2018, the contribution limit for traditional IRAs and Roth IRAs is $5,500 or $6,500 for those age 50 or older. For 2019, the contribution limit will be increasing to $6,000 with an additional $1,000 if you are age 50 or older. The contribution deduction for traditional IRAs is phased-out for active plan participants with MAGI between $63,000 and $72,999 for a single person or head of household, or between $101,000 and $120,999 for MFJ. The phase-out range is $189,000-$198,999 for a spouse who is not an active plan participant and who files jointly with a spouse who is an active plan participant.

J. IRA CHARITABLE CONTRIBUTION

The IRA charitable contribution gives the taxpayer the ability to distribute to a charity directly from an IRA for an individual over the age of 70½ without including the distribution in income or deducting the amount as a charitable contribution. This distribution is taken into account when determining the taxpayers required minimum distribution and was made a permanent rule by the IRS.

K. 529 PLANS

For 2018, all 529 plan savings may be used toward elementary or secondary public, private or religious school tuition. There is a $10,000 limitation for elementary, middle or high school expenses.

L. DEPRECIATION

The maximum §179 deduction allowed is $1,000,000 for qualifying property placed in service in 2018, subject to a limitation based upon the qualified assets placed into service. For 2018, this threshold amount is $2,500,000. The §179 deduction also imposes an income limitation upon the deduction.

Bonus depreciation is increased to 100% for 2018 through to 2022. Bonus depreciation allows a taxpayer to take a deduction in the year that the acquired asset is placed in service. For 2018, property eligible for bonus depreciation was expanded to include used property. Bonus depreciation is mandatory unless you elect out of it.

M. IRS MILEAGE ALLOWANCE

The IRS standard business mileage rate for 2018 is 54.5 cents a mile. The medical expense and moving expense deduction are 18 cents a mile. For charitable volunteers, the mileage rate is 14 cents a mile. The deduction for moving expenses is only available for active duty members of the Armed Forces.

N. ALTERNATIVE MINIMUM TAX

The 2018 alternative minimum tax ("AMT") exemptions are increased to $109,400 for MFJ and surviving spouse, $70,300 for single and head of household, $24,600 for estates and trusts, and $54,700 for MFS. The 2018 AMT exemptions phase-out at $1,000,000 for MFJ and surviving spouse, $500,000 for all others.

O. CHILD TAX CREDIT

The child tax credit is increased to $2,000 per child and the level the credit begins to phase-out for MFJ is increased to $400,000 and $200,000 for all others. Of this amount up to $1,400 is refundable.

P. DEPENDENT CREDIT

For 2018 there is a new non-refundable $500 credit for each dependent who is not a qualifying child under age 17.

Q. ELIGIBILITY FOR SAVER'S CREDIT

The saver's credit is 50%, 20% or 10% of your retirement plan or IRA or ABLE account contributions depending on your adjusted gross income. The maximum amount of the credit is $2,000. Credits are not allowed when AGI reaches $31,500 for single taxpayers, $47,250 for head of household and $63,000 for MFJ and surviving spouse.

R. ADOPTION CREDIT

In 2018 taxpayers will see an increase in the credit and exclusion amounts for the adoption credit. The amount in 2018 will be increased to $13,840.

S. DEDUCTION LIMITS FOR LONG-TERM CARE PREMIUMS

The maximum amount of age-based long-term care premiums that can be included as deductible medical expenses for 2018 (subject to the 7.5% of AGI floor) is $420 if you are age 40 or younger at the end of 2018; $780 for those age 41 through 50; $1,560 for those age 51 through 60; $4,160 for those age 61 through 70; and $5,200 for those over age 70.

T. FOREIGN EARNED INCOME AND HOUSING EXCLUSIONS

The foreign earned income exclusion for 2018 is $104,100. In addition, the housing expense limitation to use in calculating your maximum housing exclusion is generally $31,170. However, the housing expense exclusion is based on locality, so in some cases there will be adjustments to the $31,170 used to calculate the final housing exclusion.

U. REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS ("FBAR")

The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 provides, for tax years beginning after December 31, 2015, the TD-F-90-22.1 (Fin Cen Report 114) "Report of Foreign Bank and Financial Accounts (FBAR)" must be electronically filed to the Treasury Department on or before April 15th with an automatic extension of six months. All US persons who have a financial interest in or signature authority over at least one foreign account and the aggregate value of the accounts exceeds $10,000 at any time during the year must file a FBAR. They are filed separate from your income tax return. The willful failure to file a FBAR can carry a penalty equal to the greater of $100,000 or 50% of the highest balance in the account, for each violation.

V. OFFSHORE VOLUNTARY DISCLOSURE INITIATIVE

The IRS has closed its Voluntary Disclosure Programs for taxpayers who had foreign accounts that exceed $10,000 at any time during any given year and never filed the TD-F-90-22.1 (Fin Cen Report 114) "Report of Foreign Bank and Financial Accounts (FBAR)" that was required to be filed.

W. FIRST-TIME HOMEBUYER'S CREDIT

The first-time homebuyer's credit, for homes purchased after April 8, 2008 and before January 1, 2009 has to be recaptured over a 15-year period. The 15-year period began in 2010. For home purchases in 2009 and 2010 there is no 15-year repayment requirement. In general, if your home stops being your main home or you sell it, you may need to repay the credit in full. There are some exceptions to this rule.

X. ANNUAL EXCLUSION FOR GIFTS

With regards to gift taxes, the per-donee exclusion for gifts of present interest is $15,000, for 2018 and 2019.

Y. GIFT TAX AND ESTATE TAX EXEMPTION

For 2018 gift tax and estate tax purposes, the basic exemption amount is $11,180,000 for federal taxes which will increase to $11,400,000 for 2019. The top rate remains at 40% for 2018.

Z. IDENTITY THEFT ISSUES

For 2018, the IRS, states, and tax industry have joined together to form the Security Summit to enact new safeguards to combat tax-related identity theft. Many of these safeguards will be invisible to the taxpayer, but will enable them to continue the fight against this type of crime.

The IRS will continue to have available Form 14039, *Identity Theft Affidavit* that taxpayers who are actual or potential victims can file. This form will allow the IRS to flag the account for review of any suspicious activity.

A new pre-screening procedure for suspicious returns has been adopted by the IRS. If any suspicion arises the IRS will send a Letter 5071C or Notice CP01B to the taxpayer requesting that they visit https://www.irs.gov/identity-theft-fraud-scams/idverify or call

1-800-830-5084 within 30 days to verify that the return filed was the taxpayers.

If your identity has been stolen and a fraudulent return filed in your name, the IRS will create an Identity Protection Personal Identification Number (IP PIN) to prevent any further fraudulent activity from occurring. This IP PIN is a six-digit number used to file a taxpayer's federal tax return. In addition, the IRS will also invite taxpayers where the IRS has identified certain indicators of identity theft on their returns to voluntarily opt into the IP PIN program.

AA. NYS DRIVER LICENSE REQUIREMENT

Continuing for the tax year 2018, New York State is requiring taxpayers to provide driver license or state-issued ID (non-driver ID) information for their electronically–filed personal income tax returns as an additional verification device to deter fraud along with an upgrade on their protocols to better protect the taxpayer's information.

CORPORATE TAX CHANGES:

Major corporate tax changes took effect for years beginning on or after January 1, 2018. The following is a summary of some of the key changes:

- C-Corporations will have a new flat tax rate of 21% on all taxable income.
- Net operating losses for C-Corporations will only be able to offset 80% of taxable income and the carry back of losses is eliminated, but the carry forward is now indefinite. Losses created prior to 2018 will be governed by the prior rules.
- The use of business losses of noncorporate taxpayers is restricted to $250,000 for unmarried taxpayers and $500,000 for married taxpayers.
- Every business is subject to a limited deduction for interest expense equal to the sum of the taxpayer's business interest income, 30% of the adjusted taxable income of the business, and the taxpayer's floor plan financing interest.
- The deduction for employer provided meals that were previously 100% deductible under the de minimis rules are now subject to the 50% limitation.
- For 2018 there is no deduction allowed for amounts paid for entertainment expenses.
- Eligible employers are entitled to a new credit for paid family and medical leave ranging from 12.5% to 25% of wages paid to qualifying employees while on family or medical leave and are being paid at least 50% of their regular wage amount.
- Qualified Business Income Deduction (199A Deduction):
  - A special 20% deduction will apply for certain business income reported on a person's individual return. This includes income from qualified businesses.
  - This deduction is available to sole proprietors (Schedule C), real estate rental income (Schedule E), Trust and Estates, Partnerships and S-Corporations.
  - The deduction is subject to some limitation rules and in general will not be allowed for most professions or consulting businesses, unless the taxpayer's total income is under $157,500 for single and $315,000 for MFJ taxpayers.

PREPARING FOR 2019

INDIVIDUAL TAXES:

The following is a summary of some of the key changes for 2019.

Tax Rate Brackets

The tax brackets for 2019 will remain the same as 2018: 10%, 12%, 22%, 24%, 32%, 35% and 37%. The top rate will apply if taxable income exceeds $510,300 for single taxpayers and $612,350 for MFJ. All of the tax brackets will be adjusted for inflation.

Standard Deductions

The standard deduction for 2019 is $24,400 for MFJ taxpayers, $18,350 for head of household, or $12,200 for single taxpayers.

Alternative Minimum Tax

Starting in 2019, AMT exemptions are increased to $111,700 for MFJ taxpayers and $71,700 for single while the phaseouts are increased to $1,200,600 for MFJ taxpayers and $510,300 for single taxpayers.

Annual Exclusion for Gifts

With regards to gift taxes, the per done exclusion for gifts of present interest remains at $15,000 for 2019.

IRS Mileage Allowance

The IRS standard business mileage rate for 2019 is 58.0 cents a mile. The medical expense deduction is 20.0 cents a mile.

Health Insurance Coverage

The new tax bill repeals the tax on individuals that fail to carry minimum health coverage for themselves and their dependents.

Divorce

For divorces entered into after December 31, 2018, alimony payments will not be deductible by the payor and the corresponding income to the payee is no longer includible in income.

Feel free to contact our Suffolk County office at (631) 234-4444 or you can e-mail us at mvanduyne@rsabrams.com if you have any questions. You can also visit our website at www.rsabrams.com for updated information and to obtain additional copies of our annual New Developments, Year End Update and 1040 Considerations. We suggest you share this update with your Board.