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Small Business Services Group

TRONCONI SEGARRA & ASSOCIATES LLP

Certified Public Accountants
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

"The only man who never makes mistakes is the man who never does anything."

Theodore Roosevelt, U.S. President, American statesman, soldier, conservationist, naturalist, historian and writer. 1858 - 1919

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Tax Changes Ahead for 2023

By Melissa S. Howell, CPA, Principal

There are many noteworthy tax changes and updates that will impact both individual taxpayers and businesses alike in 2023.

Bonus Depreciation

First-year bonus depreciation isn't as valuable in 2023 as it was for the past few years. For 2022, businesses were able to deduct the full cost of new and used qualifying assets with lives of 20 years or less. For 2023, the 100 percent bonus depreciation allowance is now reduced to 80 percent and will continue to decrease by 20 percent each subsequent year until completely phased-out.

Meals

The temporary 100 percent write-off for business meals provided by a restaurant has expired. As of January 1, 2023, 50 percent of the cost of most business meals is deductible, reverting back to the pre-Covid-19 rules.

RMDs

As of January 1, 2023, the new age for taking a required minimum distribution (RMD) rises to 73 for owners of traditional IRAs, 401(k)s and other workplace retirement plans. If you turn 73 in 2023, you must take your first RMD by April 1, 2024. However, taxpayers that work past 73 can generally delay taking RMDs from their current employer's 401(k) until they retire.

The penalty for failing to take an RMD is now lower than in past years. The excise tax for such failure is 25 percent of the missing RMD amount, which is down from 50 percent. Additionally, the penalty goes down to 10 percent for failures that are corrected within a timely manner.

Mileage Rates

For 2023, the standard mileage rate for business driving rose to 65.5 cents per mile and for medical related travel to 22 cents per mile.

Form 1099-K

The new 1099-K rules that lower the filing threshold to $600 for third-party settlement networks such as PayPal, Square and Venmo to name a few, are now set to kick in for 2023. The lower filing threshold received a

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EMPLOYEE RETENTION TAX CREDIT (ERTC) SCAMS

The IRS added widely circulating promoter claims involving Employee Retention Tax Credits (ERTC) as a new entry in the annual "Dirty Dozen" list of tax scams. These promotions can be based on inaccurate information related to eligibility for and computation of the credit. Eligible taxpayers can claim the ERTC on an original or amended employment tax return for qualified wages paid between March 13, 2020 through December 31, 2021.

"The aggressive marketing of these credits is deeply troubling and a major concern for the IRS," said IRS Commissioner Danny Werfel. "Businesses need to think twice before filing a claim for these credits. While the credit has provided a financial lifeline to millions of businesses, there are promoters misleading people and businesses into thinking they can claim these credits. People should remember the IRS is actively auditing and conducting criminal investigations related to these false claims. We urge honest taxpayers not to be caught up in these schemes," he added.

Further, abusive ERTC promotions highlight day one of the IRS annual Dirty Dozen campaign. These are a list of 12 scams and schemes that put taxpayers and the tax professional community at risk of losing money, personal information, data and more. More information can be found here on Abusive Tax Schemes and Abusive Tax Return Preparers - IRS Lead Development Center | Internal Revenue Service.

Please consult with the Covid-19 Team at Tronconi Segarra & Associates to determine if you are eligible to claim the ERTC.

Estimated Tax Payment Requirements for Individuals

By Michele Loretto, CPA, Manager

What are Estimated Tax Payments?

Estimated tax payments are often a requirement for taxpayers that generate income that does not have any corresponding tax withholdings such as: income from self-employment, interest and dividend income, capital gains, rents and royalties. However, estimates could also be required for wage earners or retirees whereby withholdings are not sufficient to cover an estimated tax liability.

Individuals are generally required to make estimated tax payments if they expect to owe tax of $1,000 or more when their return is filed. An underpayment penalty will be charged by quarter if the appropriate payments are not remitted throughout the year. The required annual payment must be paid in four equal installments. The due dates for the quarterly estimated tax payments are: April 15th, June 15th, September 15th and January 15th.

To avoid 2023 underpayment penalties, all withholding and estimates must be at least the lesser of:

1. 90 percent of the tax shown on your 2023 return or
2. 100 percent of the tax shown on your prior year 2022 return (110 percent if your adjusted gross income (AGI) was over $150,000), which is often referred to as the "safe-harbor."

An underpayment penalty does not apply if the tax due after subtracting tax withholding is less than $1,000 or if the taxpayer was a U.S. citizen or resident and had no tax liability on their prior year tax return that covered 12 months.

How are Estimated Taxes Paid?

Pay Directly from Your Bank Account

Direct Pay is a secure service you can use to remit estimated tax payments directly from your checking or savings account at no cost to you. In just a few easy steps you'll receive instant confirmation that your payment has been submitted.

Pay by Mail

You can also remit your estimated tax payments by U.S. mail by enclosing a check or money order with the estimated tax payment voucher, Form 1040-ES. Checks should be made payable to the United States Treasury and with your name, address, daytime phone number, SSN, tax period and form number noted in the memo section of the check.

Contact your Tronconi Segarra & Associates advisor for more information.

Tax Changes Ahead for 2023, continued

lot of criticism, so the IRS previously delayed the implementation by one year. This means that more taxpayers than ever will receive 1099-K forms early next year that they will need when filing their 2023 tax returns.

Clean Vehicle Tax Credit

For 2023 through 2032, the maximum tax credit remains $7,500 for buying a new electric vehicle (EV), but the factors for figuring the credit are new. To be eligible for the full credit, EVs put in use after April 17, 2023 must meet a critical minerals requirement and a battery component rule. If only one factor is met, then the credit is capped at $3,750. Eligibility for the credit for EVs put in use before April 18 is based solely on the vehicle's battery capacity. Also, the final assembly of the EV must take place in North America.

Furthermore, there are two new rules to consider when determining eligibility:

1) The manufacturer's suggested retail price can't exceed $55,000 for sedans and $80,000 for vans, SUVs & pickup trucks; and
2) The taxpayer's adjusted gross income cannot exceed $300,000 for joint filers, $225,000 for head-of-household filers and $150,000 for single filers.

View the list of eligible clean vehicles that qualified manufacturers have indicated meet the requirements to claim the clean vehicle tax credit.

Federal Tax Credits for Plug-in Electric and Fuel Cell Electric Vehicles Purchased in 2023 or After (fueleconomy.gov)

Energy-Efficient Home Improvement Credit

The tax credit for installing energy-efficient improvements in your home is now bigger and better for 2023 through 2032. The credit increases to 30 percent of the cost of certain types of insultation, boilers, air-conditioning systems, windows, doors, etc. added to your residence with a new $1,200 annual tax credit limit. This credit is limited to $500 for exterior doors and $600 for exterior windows and skylights; while increasing to $2,000 for a hot water boiler or an electric or natural gas heat pump.

Estate and Gift Taxes

The lifetime estate and gift tax exemption for decedents that die during 2023 jumped from $12,060,000 to $12,920,000. The annual gift tax exclusion for 2023 also rises from $16,000 to $17,000 per donee without having to file a gift tax return or tap your lifetime estate and gift tax exemption.

The Basics of an Emergency Fund

By Lisa A. Mrkall, CPA, MBA, Principal

With many of the COVID-19 2020 & 2021 tax relief provisions expiring, many taxpayers were surprised by a higher-than-expected 2022 income tax bill. In some cases, this also meant a balance was due with the tax return for the first time in a few years. Benefits such as the expanded child tax credit, expanded unemployment payments and stimulus payments have discontinued leaving many individuals and families with less cash available for unexpected expenses.

In cases like this, we are reminded of the importance of an emergency fund. An emergency fund is money in an account, traditionally a bank account, that's set aside for life's unexpected events and expenses, such as medical bills, car repairs or home repairs. These funds are specifically earmarked for unexpected bills and can reduce or

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IS QUICKBOOKS DESKTOP OVER?

By Anna M. Lavocat, General Ledger Specialist

You may have been recently notified that starting May 31, 2023, QuickBooks Desktop 2020 will be discontinued. This means that support services involving critical security updates and live technical support will no longer be available. Any Intuit integrated services will be terminated including payroll, credit card processing and other add-on features. Intuit is trending towards a complete phase-out of the QuickBooks Desktop version within only a few short years.

In lieu of the well-known QuickBooks Desktop version, the newer service offering beginning with the 2022 release is now subscription based. While you can still access and retain all your current data, it may be time to reevaluate your business and accounting needs. A good way to start is by comparing the available features in both QuickBooks Desktop 2023 and QuickBooks Online to what your business requires to run smoothly.

- Both versions of QuickBooks are subscription based
- QuickBooks Desktop receives yearly updates; while QuickBooks Online is updated continually throughout the year
- QuickBooks Desktop is locally installed onto your computer; while QuickBooks Online is cloud-based, allowing access anytime and anywhere the internet is available

These are only a few of the similarities and differences, but there are many more features to compare before making a final choice. Whether you choose QuickBooks Desktop or QuickBooks Online, our team at Tronconi Segarra & Associates is always available to serve as your Intuit resource.

Social Security Benefits Part I: Changing Course on Collecting Social Security Payments

By Joseph M. Becht, CPA, GCMA, Senior Manager

It is common for individuals to have a change of heart regarding decisions made when transitioning to retirement. It might be the fact that you are not ready for early retirement, you were overconfident that you could retire, you desire to reenter the workforce, or you prefer to delay receiving retirement until full retirement age. This article will navigate the process of how to reverse course on when social security payments commence.

How to withdraw a previously filed Social Security retirement application

Once you are entitled to retirement benefits, you will generally have a period of 12 months to withdraw your application. Please keep in mind that this request can only be carried out once, and you must request in writing to formally withdraw the application. In addition, any benefits that might have already been received will need to be returned to the Social Security Administration (SSA). Those benefits to be returned include money withheld for Medicare premiums, benefits received by family members and money withheld for voluntary tax withholdings. The process starts with filing Form SSA-521, *Request for Withdrawal of Application,* with a local Social Security Office. The SSA will then notify the individual when they have made a decision regarding your request; and if such request was granted, they will instruct the individual to pay back any identified money previously received. If the individual has a change of heart and wants to rescind a granted request for withdrawal of application, they will have 60 days to cancel the approval.

What happens if your request for withdrawal is denied by the SSA, or you have passed the 12-month submission requirement?

Another option exists if you have reached full retirement age but are not yet 70 years old, you can request that the SSA suspend your retirement benefits. By suspending your benefits, you will earn delayed retirement credits for each month your benefits are suspended; thereby increasing your benefit payments when retirement benefits resume. Benefits will resume automatically when you reach the age of 70, or when a formal request is made for payments to resume. The effective date of voluntary suspension of benefits will not occur any earlier than the month after the suspension request. When the benefits are suspended, the individual must pay the Medicare Part B premiums directly if enrolled in such coverage. Note that late payment of Medicare Part B premiums could result in loss of coverage. Lastly, those who suspend retirement benefits will also suspend Supplemental Security Income (SSI) benefits, making the individual ineligible for SSI.

Part II of this Social Security Benefits article will appear in a future issue of our newsletter.

IN THE SPOTLIGHT – KELLY SMITH

Joining our growing team of general ledger specialists is Kelly Smith. She brings many years of book-keeping experience for a variety of businesses to the Small Business Department at Tronconi Segarra & Associates and is eager to enhance her accounting skills to offer even more value to her clients. A Canisius University graduate, Kelly is a WNY native whose family owns and operates a large marina here. She is well-versed in being a crew member and enjoys all forms of watersports. When she's back on dry land, Kelly is working on earning her 4th Degree Black Belt in karate, having earned 13 belts since she began studying karate in 1995. Kelly and her son reside in Clarence.

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What To Do If You Are A Victim of Tax-Related Identity Theft

By Lisa A. Mrkall, CPA, MBA, Principal

Tax-related identity theft is a type of identity theft that revolves around the fraudulent use of a social security number, individual taxpayer identification number or an employer identification number. There are many ways in which tax-related identity theft might transpire and it might not begin with the filing of a fraudulent tax return. A stolen credit card, a lost wallet or a loss of medical records can lead to tax-related identity theft should the victim's social security number get misused on a tax return filing.

It is important to stay alert, especially if you are contacted by the IRS or your tax preparer about the following:

- More than one tax return was filed using your SSN, TIN or EIN
- You owe additional tax, refund was offset, or have collection actions taken against you for a year you did not file a tax return
- IRS records indicate you received wages or other income from an employer for whom you did not work

If your SSN has been compromised and you know or suspect you are a victim of tax-related identity theft, the IRS recommends taking these initial steps:

- Respond immediately to any IRS notice; call the number provided or, if instructed, go to IDVerify.irs.gov.
- Complete IRS Form 14039, Identity Theft Affidavit if your e-filed return was rejected because of a duplicate filing under your SSN. Continue to pay your taxes and file your tax return, even if you must do so by filing a paper copy.
- File a request with the IRS for an Identity Protection PIN. A new PIN will be mailed to you every year and must be included on your tax return as an added layer of protection.

Although there is no guaranteed method of preventing identity theft, vigilance and consistent monitoring of your financial accounts is imperative. Please contact our office at any time if you suspect tax-related identity theft.

The Basics of an Emergency Fund, continued

eliminate the need for reliance on high-interest credit cards or personal loans. An emergency fund is an essential part of a solid financial plan.

We are often asked, "How much should I save in my emergency fund?" A good rule of thumb is that the more stable your income and household are, the less you need in your emergency fund. According to *Ramsey Solutions*, if you're part of a two-income household or you've had a steady job for several years, then three months of expenses in your emergency fund is probably fine. But if you're a one-income family, you're self-employed, or you earn straight commission, then a six-month emergency fund is better for you since a job loss could severely affect your ability to pay the bills.

It may go without saying, but your emergency fund should be highly liquid. When it comes to where to set aside these funds, the most important thing is that you can access the funds quickly to avoid unnecessary stress during what is most likely an already stressful time. Using a savings account connected to a checking account is a good option or a money market account that comes with a debit card or check-writing privileges. It is also recommended that the funds not be too easy to access either!

Before tapping into your emergency fund, ask yourself these three questions: Is it unexpected? Is it necessary? Is it urgent? The more you answer yes, the more likely the situation you're in is an emergency and justifies using money from your emergency fund. Paying your tax bill certainly is necessary, fairly urgent, and without proper planning, is often unexpected.

Finally, some tools to kickstart your emergency fund include making a budget and sticking to it! Also, selling some unneeded personal items, through social media for example, is another way to get that emergency fund started. Boost your income by taking on a part-time job or starting a side-business. Peace of mind and the feeling of being able to breathe easier knowing you have a safety net in place are well worth the small sacrifices needed to have this extra security.

It goes without saying that your tax professionals at Tronconi Segarra & Associates are here to help – whether it is planning for life events, helping you adjust your tax withholdings or just discussing your overall financial plan, so please do not hesitate to reach out!