



ALLOY SILVERSTEIN ACCOUNTANTS AND ADVISORS

900 North Kings Highway · Cherry Hill, New Jersey 08034 · 856.667.4100
165 North White Horse Pike · Hammonton, New Jersey 08037 · 609.561.1555
www.AlloySilverstein.com

Get ready for a faster refund

There are steps you can take now to speed up filing your 2018 individual return.

It all starts with getting organized. Here is a handy checklist of source documents you may need when you meet with your accountant or tax advisor.

Income

- W-2(s)
- 1099 forms (-MISC, -INT, -DIV, -A, -B, -C, -K, -R, -S and any others)
- K-1(s)
- Income from investments and interest
- Income from social security benefits
- Income from alimony
- Income from awards
- Income from gambling winnings (W2-G)
- Insurance reimbursements
- Rental property income
- Business income

Expenses

- Property and real estate taxes paid
- State and local income taxes paid
- Estimated tax payments made (amounts and dates)
- Form 1098 mortgage interest
- Form 1098-T and/or 1098-E (Education costs, tuition or student loan interest)
- Child care costs
- Medical and dental expenses
- Rental property expenses
- PMI and any points paid
- Documentation for business use of vehicle
- Casualty loss records for federally declared disasters
- Contributions to medical savings account
- Contributions to IRA
- Contributions to self-employed pension plan
- Charitable donation records

clientalert

spring 2019

5 questions to ask about your 2018 taxes

This is the first tax year under the Tax Cuts and Jobs Act. So what can you expect? Here are answers to some frequently asked questions.

1. Do I still itemize?

Tax reform nearly doubled the standard deduction to \$12,000 for single filers and \$24,000 for married couples filing jointly. It also eliminated or changed many deductions. Until you do the math, you won't know for sure whether itemizing is for you, but tax filing will be simpler if you take the standard deduction. About 30 percent of Americans itemized under the previous tax code; that number is expected to fall to about 10 percent. For details about what's changed, check out our infographic on page two.

2. How are families affected?

There's good news here for families who have children, and for those who are taking care of relatives in their homes.

- *The child tax credit has doubled.* You can now claim a credit of \$2,000 for each child under 17, double the credit for 2017. Of that, up to \$1,400 is a refundable credit. Why is that important? Even if you owe no taxes, you may be able to collect that amount.



- *There's a new \$500 credit for other dependents.* To qualify, the dependent must be a 17 to 23 year-old student and living with you more than half the year. There's also a long list of other relatives who can qualify as dependents including grandchildren, parents, grandparents, siblings and in laws.

- *You can use education funds for elementary and secondary school.* There are new tax breaks for the popular Section 529 plans, which allow you to build up savings for your kids' education. Under the previous tax code, you could withdraw to pay for qualified college expenses. Now, you can use up \$10,000 a year for tuition at public, private or religious elementary or secondary schools, if your plan allows.

(continued on page 2)

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5 Q&As

(continued from page 1)

3. I'm a small business owner. What's in it for me?

If your business is an LLC, S-corporation or sole proprietorship, you might benefit from QBI, the new business deduction. It allows certain small businesses to take a 20 percent deduction against ordinary business income. To qualify without limitations, your taxable income for 2018 needs to be below \$157,500 for individuals and \$315,000 for married couples filing jointly. For details, check out the QBI Deduction Flow Chart on our website.

4. How can I reduce my 2018 tax burden?

Contributions to a traditional IRA are 'above the line,' meaning that they will reduce your income even if you don't itemize. The maximum you can contribute in 2018 is \$5,500. If you're over 50, the maximum is \$6,500. Jump on this now; you have until April 15, 2019 to fund your traditional IRA.

5. What else should I do?

If you owe more, or if you're getting a larger refund than in the past, this might be the time to adjust your withholdings in light of the new tax laws. Your CPA can provide guidance so there aren't surprises next tax year. ♦

Tax deductions: the new rules

For years, tax filers have valued a long list of itemized deductions which reduced their taxable income. Much of that is history now that the Tax Cuts and Jobs Act is in effect. There remain only six basic categories that are still deductible, and even those have some new limits.

How to determine whether to still itemize or to take the new standard deduction of \$12,000 for individuals or \$24,000 for married couples filing jointly?

The graphic below summarizes what's still deductible, what's been changed and the deductions that have been totally eliminated through 2025.



Alloy Academy

Our complimentary lunch and learn workshops are offered once a month in Cherry Hill and Hammonton.

Upcoming dates:
 April 3 & 4
 May 8 & 9
 June 12 & 13

Visit our website to register.
 If you have a topic to present, complete our Call For Speakers form.

Squelch internal theft

Think your employees aren't stealing from you? Think again. The majority of embezzlement cases occur at small- to mid-sized companies and the average incident costs more than \$350,000.

Unfortunately, most internal theft isn't obvious. Fortunately, your business can establish effective safeguards including protections for three of the most common embezzlement schemes.

1. Abuse of company credit cards.

To prevent employees from using the company credit card for personal purchases:

- Restrict access to company credit cards.
- Require receipts for all credit card charges.
- Periodically review receipts for compliance with written policies.

2. Diversion of company funds for personal use.

Detailed schemes for dipping into company coffers range from fake vendors to creating "ghost" employees. To foil such frauds:

- Rotate tasks among personnel.
- Review vendor lists to identify phony businesses.
- Compare employee lists with payroll disbursements.

3. Theft of inventory and equipment.

One common way workers steal is by placing materials or

equipment in company garbage bins and retrieving them after hours. To control against this:

- Conduct periodic inspections as employees leave the premises.
- Restrict access to company refuse containers.
- Install closed-circuit cameras at vulnerable locations.

Of course, even the strongest controls can be circumvented. Your company's most basic and effective control starts with hiring and employing workers with a proven history of integrity. Also be sure to conduct thorough background checks before you finalize a hire. ♦



How to raise a financially savvy child

If you have children (or grandchildren), you have a great opportunity to give them a jump-start on becoming financially responsible adults. Teaching them about money and finances is easiest when you start early, but it's never too late to impart your wisdom. Here are some age-appropriate ideas to help develop a financially savvy young adult.

Preschoolers: Start by using bills and coins to teach them the worth of each. Explain that a quarter is worth more than a dime and a dollar is worth more than a quarter. Put price tags on items at home (you could use a penny or quarter sticker to show the price), give them a purse or wallet with coins inside and let them play store. Also, give them a piggy bank to start saving coins and small bills.

Grade school kids: Consider starting an allowance. Teach your children how to read price tags and do comparison shopping. Open a savings account to replace the piggy bank and explain interest and the importance of regular saving. Include them in family discussions about major purchases, vacations, etc.



Middle school students: Start connecting work with their earning money, say babysitting, mowing lawns or walking dogs. Open a checking account in your child's name so they can access some of their earnings while they save most of it for larger purchases later on (a car?) Now is also a good time to introduce the importance of donating to charity.

High schoolers: Explain the job application and interview process and advise them on getting a part-time job to build work experience. Give them direct expense responsibility for things like gas and going out with friends. Introduce investing by explaining stocks, mutual funds, CDs and IRAs. If college is the goal after high school, include them in those financial discussions.

College: This is the time to focus on borrowing and its future implications. Explain how credit cards can be a companion to a budget, but warn of mismanagement and not paying the bill in full each month. Discuss the importance of their credit score and how it affects future plans like buying a house. ♦

alloy happenings

- **Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson & Co.**
-Welcomed 14 area accounting students to the firm's 11th Annual Externship Day, January 10.
- **Ren Cicalese, CPA, PFS, CGMA**
-Received the 2018 SFA Tenant Humanitarian Award by Strategic Funding Alternatives, LLC.
-Attended the 10X Growth Conference hosted by Grant Cardone Enterprises in Miami, FL, February 1-3.
- **Ren Cicalese, CPA, PFS, CGMA Angela Venti**
-Presented to TD Bank lenders on tax changes and business development tips, December 11.
- **Anne D'Amico, CPA/PFS**
-Appointed to a 3-year term for the Burlington County Regional Chamber of Commerce's Board of Directors and a member of the Finance Committee.
- **Kelly Raso, CPA**
-Served as a panelist for "Adulting 101: New Year's Money Resolutions" moderated by the Hammonton Gazette, January 22.
- **Chris Cicalese, CPA, MSTFP**
-Attended the AICPA Cybersecurity Fundamentals CPE presentation in New York City, December 14.
-Authored "Understanding Section 199A" in the January/February 2019 issue of New Jersey CPA Magazine.

Congratulations

- **Joyce Cinousis, CPA**, celebrating her tenth anniversary with the firm.
- **Ronald Donato, Jr., CFP®, MBA**, celebrating his fifth anniversary with the firm.

Welcome

- **Katharine Fuss**, a recent graduate of Stockton University.
- **Jackson Gelsing, CPA, MST**, previously employed at a Tampa, FL firm.
- **Gabrielle Perry**, previously employed at a local firm.

Alloy Spotlight

In honor of Alloy Silverstein's sixtieth anniversary, this quarter's Spotlight is on Managing Shareholder **Ren Cicalese, CPA, PFS, CGMA**.

When he was younger, Ren aspired to play in the MLB. He was a college athlete—a second baseman and pitcher for Rutgers University–Camden. But when he knew he wouldn't be drafted, he turned to what he always excelled at—math—diligently earning his bachelor's degree in accounting.

That work ethic and drive has been the foundation of his career. So, too, was the impact of his father's passing when Ren was just nine years old. "I've been handling money ever since," he explains.

And with that, handling money became his professional purpose. Ren joined the Alloy Silverstein team in February 1980 as a tax season temp, was a full-time accountant by the following month and promoted to Partner five years later. He became Alloy Silverstein's Managing Shareholder in the 1990s. Recognizing a need to better serve the firm's tax and accounting clients, he established Alloy Silverstein Financial Services, Inc. and Abacus Payroll, Inc. in 1999.

Throughout his nearly 40 years in accounting, Ren has advised business owners in a variety of industries including technology, law, medicine, manufacturing, retail and wholesale, real estate, and professional sports. He is a CPA in New Jersey and Pennsylvania and has also achieved the AICPA PFS (Personal Financial Specialist) and CGMA (Chartered Global Management Accountant) designations.

Ren is known as a leader in both the accounting industry and the community. He recently served two terms as President of INPACT Americas, an international alliance of over 130 independent accounting firms, and is a former chair of

INPACT's Global Board of Directors. He is a member of the Dean's Executive Advisory Council of Rutgers University, was an adjunct accounting professor at RCBC (formerly Burlington County College), and has been involved with numerous Chamber, professional, and civic organizations.

When it comes to giving back locally, Ren embodies the firm's core values of integrity, passion, and responsibility as he spearheads many of Alloy Silverstein's charitable endeavors. He initiated the firm's annual Adopt-A-Family drive, led the award-winning Go Red for Women fundraiser for 10 years, and most recently, introduced Alloy Cares, a paid-time volunteer program for Alloy's team members. "Maybe one act of kindness on our part will give a child the opportunity to have a better future," he says.

In recognition of his contributions, Ren received the inaugural Volunteer Award from the New Jersey Society of CPAs (NJCPA). He has been recognized as a "50 over 50" by the NJCPA and a two-time Top CEO/CFO by South Jersey Biz. During their 50th anniversary, Rutgers University–Camden honored Ren as a "Fifty Finest" graduate and a "Top Ten Outstanding Alumnus." He also received the Scarlet Oak Meritorious Service Award from the University's Alumni Association.

Most importantly, Ren wants to be a positive role model for his grandson and three sons, two of whom also work at the firm. When he's not working, Ren enjoys golfing, attending PGA and LPGA Tour events, going to the gym, listening to classic rock, traveling, watching movies, and spending time with his family. With his college baseball roots, Ren is an avid sports fan and will always have a soft spot in his heart for the Philadelphia Phillies. ♦



Alloy Silverstein sponsored and co-hosted the Reveal Celebration for Impact100 South Jersey, a women's collective giving circle that provides high-impact grants to local organizations. This June, the organization will award \$155,000 to South Jersey nonprofits. Attending the celebration on behalf of the firm were Kim Sheehan, Angela Venti, Kelly Raso, Anne D'Amico, Julie Strohlein.



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The basics of capital gains

by Ronald V. Donato, Jr., CFP®, MBA

Following are the BASICS of capital gains as they pertain to the investments we typically encounter. You should consult with your tax professional for your personal situation.

What are capital gains (and losses)?

You buy XYZ Company stock for \$10 per share. You need money later, and sell the stock at \$12 per share. You now have a capital gain of \$2 per share. This is how capital gains (or losses if you sell for less than the cost) are generated in most cases for any asset (i.e., stocks, bonds, mutual funds, real estate, etc.). **Note that you don't have a gain until you actually sell the asset.** When you sell, the gain is realized and might be taxed. If you haven't sold the asset the gain is unrealized and therefore not taxed.

Are they taxed, and if so, how?

Currently, the federal capital gains tax rate ranges from 0 – 20%, depending on your other income. Another factor that affects how you are taxed is whether you have held the asset for more than a year (long-term gain) or less than a year (short-term gain). In most cases the short-term gains are taxed at your income tax rate (these range from 10% to 37%), and not the lower capital gains rate. Here's another important issue: Your capital gains *could affect the taxes on your other income and even your*

Social Security payment by pushing you into a higher bracket. Again, each person's situation is unique, so consult your tax professional.

Is there a way to “manage” capital gains to be tax efficient? The good news is that yes, there are a few basic things that should be done to manage your gains and losses to be more tax efficient.

- If you have gains already realized, then look for losses to take against the gains. You can offset realized short AND long-term gains with losses on similar types of assets.
- You can also time your gains so that you take, for example, half of the gains at the end of the year, and then take the other half at the beginning of the next year.
- If you have assets that you have not sold which have high *unrealized gains*, and you don't need to sell them, then depending on your age and health you may simply want to allow your heirs to inherit these assets. There is a “step-up” of the cost basis if you die with the asset in your name. Therefore, your heirs will have an asset that has no inherent capital gain for tax purposes. Obviously, the risk here is that the asset value may drop while you hold it.
- Finally, if you have an insurance policy or real estate assets and need to improve them or sell them, but don't want to pay taxes on the gain at this time *and* you don't expect to need the money for a while, then doing a tax-free exchange may suit your needs.

These are the basics. Please feel free to call with any questions regarding your specific situation. ♦

Alloy receives national award for client service excellence

Alloy Silverstein is one of just 25 firms nationwide recognized with ClearlyRated's Best of Accounting™ Award for providing superior service. Clients of this elite group of firms are two times more likely to be entirely satisfied than those who work with non-winning firms. Alloy Silverstein received satisfaction scores of 9 or 10 out of 10 from 86.4% of our clients, significantly higher than the industry's average of 45% in 2019. This is the nation's only service excellence award for the accounting industry based entirely on ratings provided by clients. We are honored and grateful to be recognized by our clients and look forward to another successful year of working together.



Thanks to the generous support of employees, clients, friends and neighbors, Alloy Silverstein's sixth annual Adopt-A-Family drive benefited 54 families throughout South Jersey. The firm partnered with Center for Family Services, Catholic Partnership of Camden, and Hammonton Family Success Center to bring holiday joy to families in need.



Alloy Silverstein continued our February tradition of supporting the American Heart Association on “National Wear Red Day,” raising \$5,625 for medical research, community education, and awareness of heart disease risks for women. Alloy Silverstein is proud to be one of the leading participating companies in New Jersey.

Tax season information

March 15, 2019: Deadline to file partnership and S-Corporation tax returns.

April 15, 2019: Deadline to file individual, trust and C-Corporation tax returns.

Tax Season Hours: Effective February 4 through April 15, our office hours will be Monday through Thursday from 8 AM to 8 PM and Friday through Saturday from 8 AM to 5 PM. Visit the Tax Season section of our website's Resource Center for up-to-date information and resources.

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What the IRS is up to

Mileage rates increase

Mileage rates for travel are set for 2019. The standard business mileage rate increases by 3.5 cents to 58 cents per mile. The medical and moving mileage rates also increase by 2 cents to 20 cents per mile. Charitable mileage rates remain unchanged at 14 cents per mile. Remember to properly document your mileage to receive full credit for your miles driven.

	2019	2018
Business travel	58 cents/mile	54.5 cents/mile
Medical/moving	20 cents/mile	18 cents/mile
Charitable work	14 cents/mile	14 cents/mile

Estimated tax penalties waived

Many taxpayers whose federal income tax withholding and estimated tax payments fell short of their total tax liability for 2018 will not be penalized. The IRS is generally waiving the penalty for any taxpayer who paid at least 85 percent of their total tax liability through federal income tax withholding, quarterly estimated tax payments or a combination of the two. The usual threshold to avoid a penalty is payment of 90 percent.

New sales tax rules for online sellers in NJ and PA

Retailers and service providers who sell into New Jersey and Pennsylvania must now pay state sales tax under certain conditions. In New Jersey, the rule applies to remote sellers if their gross revenue from sales into the state exceed \$100,000 or the sales happened in 200 or more separate transactions during the current or prior calendar year. The ruling took effect October 1, 2018. Sales must be of tangible personal property, specified digital products or services delivered into New Jersey. A similar rule will apply in Pennsylvania for remote sellers who in the previous 12 months made more than \$100,000 of gross sales in the Commonwealth. If the taxpayer is a remote marketplace facilitator they will use their facilitated and direct sales to determine their gross sales. A remote marketplace seller, however, will calculate their gross sales using direct sales and sales made through a facilitator if no sales tax was collected on their behalf. The new ruling in Pennsylvania is effective July 1, 2019. ♦

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us. Information used is obtained from sources considered to be reliable.

Upcoming **tax** deadlines

March 15

- Deadline to file partnership and calendar-year S-Corp returns.

April 15

- Deadline to file individual, trust and calendar-year C-Corp returns.
- Annual gift tax returns are due.
- Deadline for making 2018 IRA contributions.
- First installment of 2019 individual estimated tax is due.

May 15

- Deadline for calendar-year non-profit organizations to file annual reporting returns.