



# ALLOY SILVERSTEIN ACCOUNTANTS AND ADVISORS

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## Your end-of-year payroll checklist

Holiday time is a perfect time to check your lists twice. If you're an employee whose life situation has changed—such as you got married, your child turned 26, or you've moved—you'll need to update your W-4. If you are an employer, take note of your year-end payroll responsibilities.

### Employee data

- Double check demographic data including addresses, phone numbers, and name changes. You can validate social security numbers with SSA's online verification service at [ssa.gov/employer/ssnv.htm](http://ssa.gov/employer/ssnv.htm).
- Any staff members with changes will need to update their W-4s. Encourage them to do so now.
- Overtime rules have changed. Substantiate if employees are exempt or non-exempt.

### Employee benefits

- Confirm employee benefit eligibility and continuation, including health care, fringe benefits, PTO, life insurance, and retirement plans. Remind staff about unused Flexible Spending Accounts so they don't forfeit their funds.

### Salaries and bonuses

- Calculate and distribute employee bonus checks.
- Issue final paychecks to staff, taking into account bonuses, overtime and holiday pay through December 31. Calculate benefits such as car allowances or insurance costs for any year-end adjustments.

### Administration

- Confirm year-end payroll deadlines, holiday processing schedules, and dates to submit federal and state deposits.
- Prepare information and order forms W-2 and 1099-MISC, and any others you may need including 1095 for ACA compliance.
- Set up and get ready for the upcoming year with accurate payroll tax rates, wages, and compliance with any new Department of Labor (DOL) laws. ♦

# client alert

winter 2019

## 6 tax strategies to consider right now

**L**ooking to reduce your tax liability for 2019? Here are six tax-saving ideas that you can still execute before we turn the page to 2020.

**1. Bundling** –The Tax Cuts and Jobs Act doubled the standard deduction, so many taxpayers aren't itemizing as they have before. But if you bundle two years worth of charitable gifts into one, you maximize the chances of receiving a tax benefit. The same goes for other itemized deductions that have not been phased out, such as medical expenses.

**2. Gifting** – The annual gift exclusion allows you to provide annual cash gifts tax free of up to \$15,000 to each person. Choose the split gift election and you and your spouse can give away as much as \$30,000 annually to each person.

**3. Donating** – If you are 70 ½ or older and you have an IRA, you can avoid paying taxes on your required distribution by donating all or part of it to a charity. Another strategy is to avoid paying capital gains taxes by donating appreciated stock you've owned more than a year. Finally, in Pennsylvania, you may be able to convert taxes into



Educational Improvement Tax Credit and Opportunity Scholarship Tax Credit programs.

**4. Funding** - Fully fund your tax-deferred retirement accounts. The 2019 contribution limits are \$19,000 for workplace plans and \$6,000 for traditional IRAs. If you're 50 or older, don't forget that you can make catch-up contributions to save extra for retirement.

**5. Delaying** – Business owners can reduce their 2019 income by sending invoices at the beginning of January, thus delaying receipt of income into 2020.

**6. Pre-paying** – If you own a business, prepay for business expenses such as office supplies. Other expenses such as business insurance may be deductible using the 12-month rule. Check with your accountant for details. ♦

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# Get ready for New Jersey's 2020 HR landscape

**Y**our employees are your greatest asset. Keeping up with HR regulations is key to reducing turnover and avoiding penalties and lawsuits. Here are major changes to know about for 2020:

## New federal overtime rules

It's estimated that the 2020 overtime laws will affect roughly 20 percent of small businesses. Starting on January 1, 2020, employees have to earn at least \$684 per week to qualify as exempt from overtime. Highly compensated employees will need to make at least \$107,432 per year to be exempt from overtime.

## New Jersey minimum wage increase

As of January 1, 2020, the minimum wage will be \$11/hour. This will increase by \$1 every year until 2024 when the minimum wage will be \$15/hour.

## State family leave reminder

The Family Leave Act underwent some aggressive revisions for 2020, with the mandatory paid leave increasing from six weeks to 12 for any business with 30 or more employees. Employees can also take intermittent time as they please and can now take time off to support anyone close enough to fit the standard definition of "family"—including in-laws, roommates, and distant relatives.

## Retirement: State vs. homegrown

In 2019, Governor Murphy established a state-sponsored plan for workers who do not have access to a workplace retirement plan. Implementation is expected in 2021 and failure to comply



will result in penalties and fines. It's generally better for morale to offer a company retirement plan, so now is a good time to consider one before the NJ plan kicks in.

## Commuter benefits

Beginning March 1, 2020 businesses with 20 or more employees need to implement a pre-tax transportation commuter fringe benefit for their employees who use mass transit or pay to park.

## New Wage Theft Act

New Jersey now has one of the strongest anti-wage theft protection laws in the U.S. Key provisions include triple damages for non-payment of wages to New Jersey employees and civil and criminal penalties for employers who violate New Jersey wage laws. ♦

## tax alert

# I owe tax on that?

## 4 surprising taxable items

**W**ages and self-employment earnings are taxable, but what about the random cash or financial benefits you receive through other means? If something of value changes hands, you can bet the IRS considers a way to tax it. Here are four taxable items that might surprise you.

**1. Scholarships and financial aid.** Applying for scholarships and financial aid are top priorities for parents of college-bound children. But be careful – if any part of your child's award goes towards anything except tuition, it might be taxable.

**2. Gambling winnings.** Hooray! You've hit it big in your fantasy sports league. But guess what? Technically, most gambling winnings are taxable, including casino games, lottery tickets and sports betting. Thankfully, the IRS allows

you to deduct your gambling losses as an itemized deduction, so keep good records.

**3. Unemployment compensation.** Unfortunately, the IRS doesn't give you a break when you are unemployed, as unemployment compensation is taxable. If you are collecting unemployment, you can either have taxes withheld and receive the net amount or make estimated payments to cover the tax liability.

**4. Crowdfunding.** A popular method to raise money for new ventures or to support a special cause is crowdfunding online. Whether or not the funds are taxable depends on two things: your intent for the funds and what the giver receives in return. Generally, funds used for a business purpose are taxable and funds raised to cover a life event (e.g. special causes or medical assistance) are considered a gift and not taxable to the recipient. ♦





## Beware of the latest scams

Scam artists are constantly on the lookout for new ways to defraud the public so it's important to know the latest schemes, and to be vigilant. Here are two to watch out for.

### *Workplace Compliance Annual Report*

Small business owners are being targeted with a letter from 'Workplace Compliance Services' that threatens penalties and fines if an annual report is not filed. If you get this letter, do not call the phone number listed and do not comply. Generally, you should be wary of a bill that wants you to pay 'today' with no further information. Finally, keep track of your bills; if you think you don't owe money, chances are, you don't. If you need help to make sure a solicitation is legitimate, call our office at 856-667-4100.

### *The 2020 Census*

Fraudsters are already trolling for people to victimize around the 2020 census. You'll probably hear directly from the U.S. Census Bureau at some point, but scammers pretending to represent the Agency will try to get your personal and financial information by whatever means they can. What to look for? Any census agent asking for your Social Security, credit card or bank account number, inquiring about your mother's maiden name, requesting information about when you leave or return from work, or demanding a donation is a fraud. Also be cautious about opening unsolicited emails; the Agency almost always makes contact by mail. If you do get an email, know that the official website is <https://www.census.gov>. Double check that the "s" is there and that the extension is .gov. ♦

## finance alert

# The road to prosperity starts with these four steps

**Y**ou wouldn't travel to a new destination without your GPS would you? The same should be said for your finances. It's impossible to reach your financial dreams without a clear path. That involves setting well-defined goals and establishing a roadmap for achieving them. Here are some basic steps to get you started:

**1. Determine your journey's end:** What do you want to accomplish? Establish an emergency fund? Build college savings for your child? Have a large retirement fund by age 60? Create a list of your major goals and separate them by needs (must haves) and wants (like to have).

**2. Establish your ETA (estimated time of arrival):** Adding timing to the equation helps you begin to see how you need to save or invest and what kind of financial vehicles to put to work. The earlier you define each goal, the more time you have to try and achieve it. To put this into practical terms, assign a timeframe to each need and want — say 1 to 5 years for short term, 10+ years for long-term and 5 to 10 years for intermediate term goals.

**3. Set priorities:** What's most important to you? Start with your top three needs and wants and rank them using a simple rating system (say 1 to 3, with 1 being most important). Then, reprioritize them based on time. You'll want to save and



invest for the most important, short-term goals first.

**4. Create mile markers:** Goals are easier to achieve when they're broken down into smaller increments. Give yourself milestones along the way. Reaching them are affirmations, reinforcing that you are on a positive path to your ultimate destination.

Goals are the pathway to your financial success. It's easier to dedicate yourself to a goal rather than a hope or wish. Commitment is important, and saving and investing usually comes with some degree of personal sacrifice. Keeping your goals in sight may help you avoid making frivolous purchases you might later regret or taking on a big debt that might impede your progress. ♦

## alloy happenings

- **Ren Cicalese, CPA, PFS, CGMA**
  - Featured as a guest speaker on the Blue Collar Yields Podcast, discussing his career, work ethic and tax benefits of commercial real estate.
  - Attended the Avantax Wealth Management National Conference in Austin, TX, November 10-12.
  - Presented to Rutgers-Camden Business Leader Development Program students, November 14.
- **Dennis Vogt, CPA**
  - Attended the INPACT Americas Fall Partner Forum in Napa Valley, CA, November 6-9.
- **Kelly Raso, CPA**
  - Served as a panelist for “Adulthood 101: Real Estate Essentials” moderated by The Hammonton Gazette, September 17.
- **Ren Cicalese III, CPA, MST**
  - Presented on the new lease accounting standards to the Risk Management Association’s Young Professionals, November 7.
  - Served as a panelist for the Burlington County Regional Chamber of Commerce’s roundtable presentation, “Healthcare Legislation and Laws & How They Impact Your Business,” November 12.
  - Presented to Beta Alpha Psi student members at Rutgers-Camden, November 19.
- **Julie Strohlein, CPA**
  - Presented on CPA Career Awareness for the NJCPA to Burlington Township High School and Delran High School, October 17 and November 11.
- **John Adams, CPA, PFS, CFP®, CGMA**  
**Julie Strohlein, CPA**
  - Represented Alloy Silverstein at Rutgers-Camden’s Accounting Meet the Firms Day, September 13.
- **Kim Sheehan, CPA, PFS**  
**Nicole Pelaschier**
  - Represented Alloy Silverstein at Rutgers-Camden’s Fall Career Day, October 8.
- **Chris Cicalese, CPA, MSTFP**
  - Attended the Xero Roadshow in New York City, October 25.
- **Angela Venti**
  - Appointed to the Board of Directors for Businesses Committed to South Jersey (BCSJ).

### Congratulations

- **Richard Middleton, CPA**, celebrating his thirty-fifth anniversary with the firm.
- **Kevin McGinty, CPA** and his wife Joyce on the birth of their daughter, Megan Kara, September 3.

## Alloy Spotlight

Our Alloy Spotlight this quarter is on **Anne Marie Galfo, Payroll Specialist** at Abacus Payroll, Inc., a sister company of Alloy Silverstein Accountants and Advisors. Anne Marie has worked in the payroll industry for more than 20 years serving a diverse array of companies large and small.

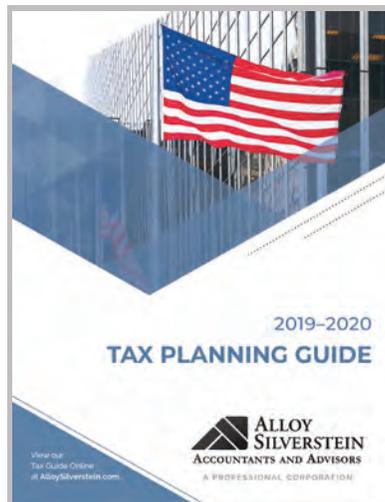


What she likes most about the business is knowing that she is helping both employers and their staff. “Getting it right is important. Everybody relies on getting a paycheck and it can be very frustrating if money is missing or deductions are incorrect.”

Her style of listening to clients in order to provide the best possible solution is a model of how Abacus Payroll treats

customers. “We offer the best of both worlds,” she explains. “Clients can rely on me, but they can also talk to anyone at Abacus. There’s no runaround, there’s no impersonal computerized system. There’s just great customer service.”

Anne Marie’s helpful nature extends beyond the office. She is passionate about fundraising and her enthusiasm is infectious. For example, when she launched an event to raise funds and register donors for a young girl who needed a bone marrow transplant, more than 1,000 showed up. A proud ‘Jersey Girl,’ Anne Marie grew up in Barnegat, graduated from Southern Regional High School in Manahawkin and lives in Little Egg Harbor, with her family, their dogs Fiona and Nemo and their cat Sparkles. She enjoys reading, watching movies, spending time with family and friends, and cheering on the Eagles, Phillies and Flyers. ♦



Our latest tax planning guide is available now. Go to [AlloySilverstein.com/resources/planning-guides/](http://AlloySilverstein.com/resources/planning-guides/) to download a copy.



On November 14, 2019, Alloy Silverstein hosted its first Blood & Bone Marrow Drive in partnership with the American Red Cross and Be The Match registry. Over 24 people donated blood, including 16 first timers. Their blood went on to help 72 hospital patients in need.



## Alloy Academy

### Thank you to our Fall 2019 guest speakers:

- Joe Rehm—How to Access Capital Needed to Grow Your Business
- Cheryl Squadrito—Reputation Management: Getting Your Business Ready for the Media Spotlight

Join us in January 2020 for an HR & Labor Law update and in February for a business accounting workshop. Details available at [alloysilverstein.com/alloy-academy/](http://alloysilverstein.com/alloy-academy/) or by subscribing to our email list.



Our offices were once again drop off locations for the NJCPA Fall Food Drive. The effort, led by Associate Partner Ren Cicalese III, CPA, MST, collected and donated 715 pounds of food to the Food Bank of South Jersey. A big thank you to all who contributed!

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## What is re-balancing?

by Ronald V. Donato, Jr., CFP®, MBA

Re-balancing, as it pertains to your investment portfolios, is the process by which we periodically “update” the allocation of your various investments so that they maintain your desired risk profile. In English, this means that if you originally wanted to have 60% in stocks and 40% in bonds, and then the stock market went up so that your actual percentage is now 70% in stocks and 30% in bonds, we would sell the 10% of the equities and buy 10% more bonds to put the portfolio back into the 60/40 balance. How often is this done, and what are the pros and cons?

**Is Re-Balancing a Good Thing?** As mentioned, it has the positive effect of keeping your risk level (stocks are considered to be a higher risk than bonds) where you are comfortable. However, there are obvious financial considerations when you re-balance, such as:

- When you sell the asset that has increased in value, you then have a realized capital gain. In a qualified retirement account this is not important as gains are not reported; but in any non-retirement account you will have to report the capital gains when you file your taxes. One solution to this is to take enough losses (if you have them) to offset the capital gains in the same tax

year. EACH YEAR WE EVALUATE GAINS AND LOSSES IN OUR CLIENT’S PORTFOLIO WITH US, AND WE DO THE AVAILABLE AND NECESSARY TAX LOSS SALES FOR THEM AND WITH THEIR PERMISSION.

- Many times you may be reluctant to sell out of an asset that has been doing well. Of course, there is an opportunity risk that you will not benefit from the additional gains to come; but you are also locking in the gains you take when you sell and you will maintain your risk limits.

**How Often Should I Re-Balance?** Most firms do their automatic re-balancing on a quarterly basis. Clearly, the more often that you re-balance the more likely that you will have capital gains at the end of the year (if you don’t have the tax-loss selling mentioned above), since you are taking gains more frequently. Annual re-balancing is another option that some people like because it allows for you to take your gains or losses early in the year and then have the remainder of the year to adjust for tax management. If you never re-balance then of course you don’t have capital gains to deal with; but you also are taking a chance that the portfolio will have a level of risk with which you may not be comfortable. There is no one answer that is always correct, and it really depends on your own situation. ♦

## Alloy Cares—A Lot!

As part of Alloy Silverstein’s core values, we encourage employees to always do the right thing—for our clients, our firm, our community and each other. That’s why we give every one of our staff members one paid day during five months of the year (of course not during tax season!) to volunteer for a charity of their choice. Instead of helping just one non-profit, we’ve pledged to help many, and our individual team members have certainly stepped up. They’ve prepared land for gardens, packed thousands of pounds of food, walked to raise money for charities, and even cleaned and organized offices. Here are just a few of the very deserving organizations our employees have assisted:



- American Foundation for Suicide Prevention Walk
- Cathedral Kitchen
- Center for Family Services
- Fellowship Community Church
- Food Bank of South Jersey
- Foster the Family
- Funny Farm Animal Rescue Sanctuary
- Hammonton Food Pantry
- JDRF Annual Walk
- Leukemia & Lymphoma Society’s Light Walk
- Living Faith Christian Center
- PKD Kidney Walk
- Ronald McDonald House of SNJ
- United Way’s United2Feed, Backpack-a-thon and Day of Action events.
- UrbanPromise ♦



Cathedral Kitchen



Hammonton Food Pantry



Juvenile Diabetes Research Foundation Walk

## Schedule Changes

### Holiday Closures:

In observance of the holidays, our office will be closed on Tuesday, December 24, Wednesday December 25 and Wednesday, January 1.

### Tax Season Hours:

Effective February 3 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

### Landlord requirements for Section 199A deduction

There are new requirements for landlords to qualify for the Section 199A deduction in 2019. First, if you use the property yourself a substantial part of the year and rent only occasionally, you cannot take the deduction for rentals. Second, you must maintain accurate record keeping for the property and not commingle business and personal funds. Finally, you must issue 1099-MISC forms to vendors (think cleaning services) who charge you \$600 or more for the year, and send a copy to the IRS by January 13, 2020. The penalty for not filing or for missing the deadline starts at \$50 for each form, and rises steeply.

### Retirement contributions get a slight boost

The amount that individuals can contribute in 2020 to a 401(k) or similar

workplace retirement plan has been adjusted for inflation. The new limit is \$19,500, up \$500 from 2019. If you're 50 or older in 2020, the 401(k) catch-up contribution limit has also increased to \$6,500.

### New Jersey minimum wage increase

Beginning on January 1, 2020, New Jersey's minimum wage increases to \$11/hour. However, for small businesses with less than 6 employees and for seasonal employees (May 1 to September 30), the minimum is \$10.30/hour.

### New 1040 changes

You'll notice some changes on the new 1040. These include a spot for your spouse's name if you choose the married/filing separate status, a separate line for IRA distributions, and elimination of the decimal spaces for all fields. A new line asking about cryptocurrency is also in the works. ♦

## Upcoming **tax** deadlines

**January 15** – Due date for the fourth installment of 2019 individual estimated tax.

**January 31** – Due date for employers to provide W-2 statements to employees, and also file Forms W-2 with the Social Security Administration.

-Due date for payers to provide most Forms 1099-MISC with non-employee compensation in box 7 to the IRS and to recipients.

-Due date for providers to send Forms 1095 to recipients.

-Employers must file 2019 federal unemployment tax returns and pay any tax due.

**February 28** – Payers must file most Forms 1099 (except certain Forms 1099-MISC due Jan. 31) and Form 1095 with the IRS (March 31, 2020 if filing electronically).

**March 16** – Deadline to file partnership and calendar year S-Corp returns.

**April 15** – Deadline to file individual, trust, and calendar-year C-Corp returns. ♦

*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.*

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