



ALLOY SILVERSTEIN

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client alert

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Deductions for non-itemizers

With the increase in the Standard Deduction created by the Tax Cuts and Jobs Act, many more taxpayers are choosing not to itemize.

Even so, there are still opportunities to reduce your taxable income. Among them:

- IRA contributions of up to \$6,000, or \$7,000 if age 50 or over
- Student loan interest up to \$2,500
- Educator expense deduction of \$250
- Health savings accounts (if you qualify)
- Self-employed health insurance premiums
- Alimony paid (for agreements dated before 2019 only)
- 50% of self-employment tax
- Numerous education incentives like: Savings bond interest, Coverdell accounts, American Opportunity Credit and Lifetime Learning Credit
- Plus numerous credits including: Earned income credit, Dependent Care, Child Tax Credit, Retirement Savings and Elderly Credit

Income limitations often apply to these tax reduction opportunities, but for those who qualify, the savings can be significant.

Don't jump to the conclusion that tax breaks are for someone else. That someone else might just be you, the Standard Deduction taxpayer. ♦

Hints for audit proofing your return

Having your tax return audited is a highly stressful situation. Here are some common audit red flags, and ways to protect yourself.

- **Failing to report all taxable income.** You've probably received numerous 1099s, W-2s and 1095s in the mail. The IRS receives them too. It's critical that the income you report on your tax return meets or exceeds this reported income. Also, you must report *all* income whether you've received an information return or not.
- **Key information that's incorrect.** Double check that every social security number is correct, including those of your dependents. The same goes for names; they must agree with those on file with the Social Security Administration. Be vigilant if you've recently married, been divorced or legally changed your name. Mismatches are sure to be noticed.
- **Higher than average deductions.** If your deductions are out of proportion to your income compared to most taxpayers, you may be audited. This doesn't mean that you aren't entitled to the deductions, it just means that you need the paperwork to back them up.
- **Large charitable deductions.** The IRS also knows how much money most people give away compared to their income.



You are allowed to deduct up to 60% of your income as charitable contributions, but large donations look unusual. Be sure that you have proof in the form of cancelled checks or credit card receipts, and acknowledgment letters from charities.

- **Schedule Cs that have losses.** Many taxpayers who run businesses out of their homes deduct expenses that are not solely attributable to the company. This is a problem. Also, failing to show a profit for several years in a row indicates a "hobby," not a business, and you cannot deduct hobby losses. Be sure that your expenses are legitimate and be prepared to explain them.

Even if you believe that you have done everything correctly, audits do happen. Should it happen to you, don't hesitate to seek help from Alloy Silverstein. ♦

Why small businesses should establish retirement plans now

It's hard to believe, but only one in two Americans has access to a 401(k) retirement plan. That's because many small businesses don't offer them, especially companies with fewer than 25 employees. That may change soon, as two new laws are making it more attractive for small employers to establish retirement plans for themselves and their workers.

The first regulation is the SECURE Act, the "Setting Every Community Up for Retirement Enhancement." The other is specifically for New Jersey businesses and is called the New Jersey Secure Choice. Both aim to address a growing problem: nearly 25 percent of all American adults have no retirement savings or pension according to the U.S. Federal Reserve.

Business owners that do offer 401(k)s report that the plans drive recruitment and retention. That's according to a survey conducted by SCORE, a nonprofit resource partner of the U.S. Small Business Association. So what's holding small businesses back? Seven out of 10 employers say it's the expense.

The SECURE Act will help with that. Previously, employers could receive a tax credit of up to \$1,500 over three years when they established a retirement plan. Now, the tax credit can be as high as \$5,000 depending upon how many non-highly compensated employees

are eligible for the plan. There's another \$500 tax credit per year if the plan includes an automatic enrollment feature. To get the maximum possible tax credit, an employer has to offer the plan to at least 20 employees who are not highly compensated.

The SECURE Act will also make it easier for small businesses to set up retirement plans when they band together to offer what are called Multiple Employer Plans or MEPs.

In the Garden State, The New Jersey Secure Choice Savings Program will establish a state-sponsored retirement plan that includes automatic payroll deductions. New Jersey is expecting to have the plan ready in 2021. Employers with 25 or more employees will be required to participate or face penalties and fines.

Sponsors of the legislation say they are assisting the state's 1.7 million workers whose employers don't offer a retirement plan. However, if you want more customizability with your company's retirement plan instead of a state-sponsored plan, consider meeting with a financial advisor this year.

With the federal financial incentives and the looming penalties and fines in New Jersey, 2020 might be the ideal time to offer this highly-valued employee benefit to your workers. ♦



Stay safe when using free Wi-Fi

Many businesses routinely advertise free Wi-Fi access. While this is certainly a convenient way to stay connected, it does come with major risks.

Why? Hackers can rig their PCs to allow you to browse the internet through their connections. It's quite possible that instead of connecting to a legitimate hot spot, you may be connecting to a network created by a hacker who is hovering nearby on a laptop. The danger here: the hacker can track your activity, including stealing your usernames and passwords.

Smartphones also pose security risks, especially when used with free Wi-Fi networks in densely-populated places. Seemingly innocuous conversations, when shared over insecure networks, may allow clever hackers to steal your identity.

Protect yourself from Wi-Fi fraud

When it comes to cybersecurity, you can never be too safe so follow these precautions:

- Avoid connecting to a network identified as computer to computer.
- Don't access banking, credit card or other accounts that contain sensitive financial or personal information.
- Do not share credit card or banking information over unsecured email, even if a hotel or merchant asks for it.
- Encrypt files before transferring or emailing them.
- Install anti-virus software on all mobile devices.
- Use virtual private networks (VPNs), provided by your employer or a private company, that encrypt all information transfers.
- Routinely update your operating system and make sure you have the most recent security downloads.
- Turn on your smartphone's encryption settings, if available.♦

How the SECURE act is changing retirement for everyone

Retirees, parents, beneficiaries, employers and part-time employees all should pay attention to the SECURE Act, which was signed into law on December 20, 2019. It was designed to reduce the risk that people will run out of money in retirement. Here are highlights:

Retirees

- **There are no age limits to IRA contributions.** You can now make contributions to your IRA as long as you are working. Previously the age limit was 70½.
- **You can keep your money in a retirement account longer.** Required Minimum Distributions (RMDs) start at age 72, not 70½.

Parents

- **You won't be penalized for withdrawing from an IRA to cover birth or adoption expenses.** New parents can draw up to \$5,000 from qualified retirement plans and IRAs without penalty for each birth or adoption as long as the money is taken within a year of the child's birthdate or adoption date. Typically, a 10% penalty is charged on distributions before age 59½.
- **The "kiddie tax" is back.** Unearned income of minors (think interest or dividends) will be taxed at the top marginal rate of their parents instead of trust and estate rates.
- **529 plans can pay for more.** Tax-free distributions from 529 plans can be used to pay for registered apprenticeship programs, and to repay student loans up to \$10,000.



Beneficiaries

- **Inherited retirement accounts must be paid out in 10 years or less.** Most non-spouse beneficiaries can no longer 'stretch' out payouts over their lifetimes.

Employees and employers

- **Part-time employees can now participate in employer sponsored retirement plans** if they've worked 500 hours in three consecutive years.
- **Employers have more incentive to offer retirement plans.** The SECURE Act increases the maximum tax credit to \$16,500 for employers that set up retirement plans.

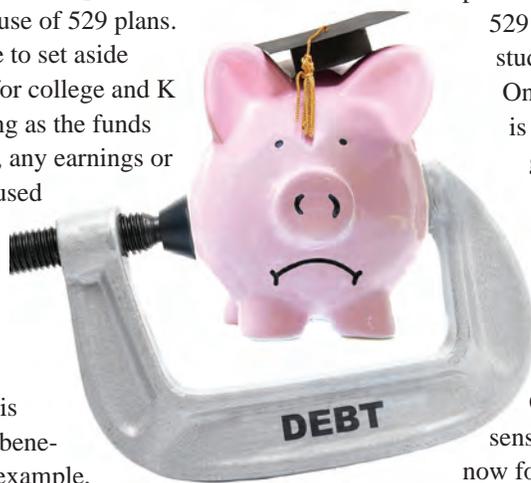
All of these changes became effective January 1, 2020 so now is the time to consider how to take advantage of them in the new year. ♦

New option to reduce student loan debt

Deep inside the SECURE Act is a provision that broadens the acceptable use of 529 plans. These are plans available to set aside after-tax money to pay for college and K through 12 education expenses. As long as the funds are used to pay for qualified expenses, any earnings or interest in the plan is tax free. Any unused earnings are subject to a penalty and income tax.

The new rule

Leftover money in a 529 plan may now be used to pay off student loans without generating income tax. There is a \$10,000 lifetime limit for the plan's beneficiary and each of their siblings. For example,



parents with 4 children can take \$40,000 from the 529 and pay off \$10,000 for each of their kids' student loans.

One great way to take advantage of the new rule is to pay off your student's loan as a graduation gift. If your student has access to low-interest loans, they may want to take one out just in case your 529 funds aren't enough to cover all four years of college. When there is 529 money left over, you can use it to reduce your student's loan balances. What a graduation gift!

Given the recent changes, it makes a lot of sense to explore your options and develop a plan now for the best use of funds in your 529 accounts. ♦

Alloy Spotlight

■ **Alloy Silverstein Accountants and Advisors**

- Welcomed 14 college students for the firm's 12th annual Externship Day event for aspiring accountants.
- Named a Top 100 Must-Follow Tax Twitter Account by *Forbes*.
- Is a Grand Sponsor for the Builders League of South Jersey for 2020.
- Is a Platinum Sponsor for the Burlington County Regional Chamber of Commerce for 2020.

■ **Ren Cicalese, CPA, PFS, CGMA**
Kelly Raso, CPA
Angela Venti

- Partnered with the Greater Hammonton Chamber of Commerce and the Greater Vineland Chamber of Commerce to co-host their first joint networking event, February 6.

■ **Kelly Raso, CPA**

- Presented on financial literacy at Allison Anne Studios' "I Choose Me" event for empowering tweens and preteen girls.

■ **Julie Strohlein, CPA**

- Named a "Woman to Watch" in the February issue of *South Jersey Biz*.

■ **Chris Cicalese, CPA, MSTFP**

- Quoted in the CNBC news article "9 Things New Parents Need to Know Before Filing Their Taxes in 2020," February 11.
- Attended the New Jersey Amusement Association's 25th Annual Gift & Variety Show in Atlantic City, February 19.
- Joined the Cheers for CHOP event committee.

■ **Angela Venti**
Anne D'Amico, CPA/PFS
Kelly Raso, CPA
Kim Sheehan, CPA/PFS
Julie Strohlein, CPA

- Attended the Impact 100 South Jersey Big Reveal celebration on January 8, where the organization announced it will be awarding \$186,000 in grants to local nonprofits.

Congratulations

■ **Ren Cicalese, CPA, PFS, CGMA**, celebrating his fortieth anniversary with the firm.

■ **Loretta LaPorta, CPA**, celebrating her fifth anniversary with the firm.

Welcome

■ **Rachid Bensaoud, CPA**, previously employed at a South Jersey CPA firm.

■ **Rebecca Warren**, a recent graduate of Rutgers University.

This quarter's employee spotlight is on Associate Partner **Reynold Cicalese III, CPA, MST**.



It's not often that you hear people talk about their 'love of tax,' but for Ren taxation is a fascinating, unpredictable, and rewarding subject. "Tax laws can change from day to day with the swipe of a pen. I love the rush to adapt quickly in order to help clients keep more money in their pockets."

Delivering tax advice, especially State and Local Tax services (SALT), is one aspect of Ren's role at Alloy Silverstein. He also provides accounting and advisory services to a broad range of clients, with a specialty for manufacturers, title insurance companies, and professional service providers. Deeply involved with the firm's internal Accounting and Auditing committee, Ren keeps all team members informed of the latest industry developments, updates and best practices.

His knowledge, as well as his proactive approach have not gone unnoticed. "He made me smile about my taxes, which is a near impossibility," wrote one client. "I haven't had anything but positive experiences," said another. "I know I'm in good hands."

A constant presence in the South Jersey community, Ren often speaks on behalf of the firm on various business topics, is Director for the Southwest Chapter of the New Jersey Society of CPAs and still finds time to give back to our community.

"I've always believed that it's important to leave your community better than when you arrive," he explains. Ren serves on the board of the Cooperative Business Assistance Corporation (CBAC), is a former board member of the Non-Profit Development Center of Southern New Jersey and he leads the firm's food drive, delivering hundreds of pounds of food to the Food Bank of South Jersey every year.

A graduate of Rutgers University with a B.S. in Accounting and Finance, he holds an M.S. in Taxation from Philadelphia University (now Jefferson), is certified in the state of New Jersey, has

passed the FINRA Series 7 and 66 exams, and may offer securities through Avantax Investment ServicesSM, Member FINRA, SIPC. He is also licensed to sell life insurance.

Ren has been recognized twice as a "30 Under 30" by NJCPA, "40 Under 40" by *SNJ Business People* and was selected as a *Burlington County Times* Emerging Leader Class of 2017, among other honors.

He's a new father with an 18-month old son, a role that he cherishes. When he's not playing dad, or enjoying time with his wife in their Cinnaminson home, Ren loves music, comics (Batman, specifically), football, golf and being a Philadelphia Phillies fan. ♦



Alloy Academy

April 1 & 2

Transform Your Professional Image Through Your Personal Style with Susan Padron

May 13 & 14

Common Mistakes in QuickBooks

June 10 & 11

What's My Business Worth? A Quick Valuation 101

Details and registration at: alloysilverstein.com/alloy-academy/



Thank you to the many generous supporters of our Adopt a Family holiday gift drive. Together, we brought holiday cheer to 48 families that have 143 kids served by the Center for Family Services, Catholic Partnership Schools, and Hammonton Family Success Center.



Alloy Silverstein is proud to be one of the leading participating companies in New Jersey for "National Wear Red Day," benefiting the American Heart Association. To date we've raised \$4,625 in 2020 for medical research, community education and awareness of heart disease risks for women.

something ² consider

A new year, a new crisis and some good things, too

by Ronald V. Donato, Jr., CFP®, MBA

In case you didn't notice, 2019 was a year to remember for financial markets. After the poor market performance in the fourth quarter of 2018, it was definitely not expected. This year also started well, until the Coronavirus struck. It is a stark reminder that, although most economic indicators we see in the financial news each day continue to be very good, we cannot yet (or in my opinion ever) declare that there is no risk out there and the markets will continue to rise indefinitely. We are not a medical practice, so we can only offer our thoughts on the possible economic considerations of this latest world crisis and a recap of the many interesting new economic issues.

China makes a lot of stuff

The spread of coronavirus has been much quicker than that of SARS; at this point the death toll in the world is over 1,350 persons. There are around 60,000 active cases. There will likely be more. This is the terrible human cost. Let's hope it ends soon.

There are many theories regarding how the disruption of the flow of manufactured products from China will affect the world economy. I have seen ranges from 2-5% of a decrease in global growth. Does anybody really know? Corporate profits and free cash flow will no doubt be impacted, and of course the demand for oil is already down. Supply chains for goods in the U.S. and Europe are only beginning to feel the impact. However, to me the most important financial question in this regard is: How long will the impact of this last? You may remember many of the former end of the world pandemics, like avian flu, swine flu, mad cow, SARS, etc. Well, we came back from these rather quickly. All we can hope for is that a vaccine is quickly discovered AND quickly produced. I don't think that this is anything from which we cannot recover. If it is the end of the world, then don't worry about your money.

USMCA done, China deal phase one, wages rising, unemployment low, and the SECURE Act

Much of the tension of the trade skirmishes has abated now thanks to Congress

(finally) passing USMCA, and the phase one China deal has been done. Labor unions and business leaders both praised this due to the benefits it provides for the sale of our goods and the "made in America" obligations attached to the USMCA.

Perhaps more importantly, wages for the bottom third of the workforce have been rising faster than those of the top third. For the U.S. economy, this means that more people have more money to spend and they are spending it even though the savings rate has been good, too. With low overall unemployment and record low unemployment for the African American, Hispanic, and Asian communities combined with more women employed in the workforce than men for the first time, we would expect these wages to continue to rise.

We have already sent out an email regarding the changes to retirement plans and other savings vehicles through the SECURE Act and there is additional information in this newsletter. If you would like to discuss this further, please call our offices. These changes offer many planning opportunities for our clients. ♦



Alloy Silverstein honored nationally by *Forbes* and *ClearlyRated*

Forbes has named Alloy Silverstein Accountants and Advisors as one of America's Best Tax and Accounting Firms 2020. More than 1,800 accounting industry peers and clients were surveyed to determine the most recommended accounting and tax firms across the United States. Alloy Silverstein was one of only six New Jersey firms to be included on the list, and the only South Jersey CPA firm.



Alloy Silverstein also won the 2020 Best of Accounting Award for providing superior service. On average, clients of 2020 Best of Accounting winners are 1.9x more likely to be satisfied compared to those who work with non-winning firms.

Alloy Silverstein received satisfaction scores of 9 or 10 out of 10 from 89.7% of our clients, significantly higher than the accounting industry's average of 45% in 2019 and up from 86.4% in the 2018 client survey.

Schedule Changes

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.

Like Alloy Silverstein's Page on Facebook

Connect with Alloy Silverstein on LinkedIn

Follow @AlloyCPAs & @RenCicalese on Twitter

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Investment advisory services offered through Avantax Advisory ServicesSM.

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What the IRS is up to

Mileage rates set for 2020

For 2020, the standard business mileage rate is 57.5 cents, a 0.5 cent decrease from 2019. Medical and moving mileage rates have also decreased to 17 cents per mile, down from 20 cents. Charitable mileage rates remain unchanged at 14 cents per mile.

Still time to fund your IRA

You have until April 15, 2020 to fund your retirement account for the 2019 tax year. Maximum 2019 IRA contribution amounts are \$6,000, or \$7,000 if you are age 50 or older. Prior to making a contribution, if you (or your spouse) is an active participant in an employer's qualified retirement plan (a 401(k) for example), you need to make sure that your modified adjusted gross income (MAGI) does not exceed certain thresholds. There are also income limits related to Roth IRA contributions.

Tax relief for NJ small businesses

A new law signed by Governor Murphy gives some small business owners the option to pay state income taxes at the entity level beginning in 2020. These businesses will be able to write off state income tax payments because the \$10,000 cap on SALT deductions does not apply to business taxes.

New Jersey employer penalties for worker misclassification

New Jersey is upping the ante for worker misclassification. Among new restrictions and fines: a "stop-work order" against businesses who misclassify workers, new administrative fines of \$250 - \$1,000 per misclassified employee and a "name and shame" provision that allows the state to post guilty employers' information online. Published employers are not allowed to contract with state agencies. ♦

Upcoming tax deadlines

March 16

- Deadline to file partnership and S-Corporation tax returns.

April 15

- Deadline to file individual, trust and calendar-year C-Corporation returns.
- Annual gift tax returns are due.
- Deadline for making 2019 IRA contributions.
- First installment of 2020 individual estimated tax is due.

May 15

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