



ALLOY SILVERSTEIN ACCOUNTANTS AND ADVISORS

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client alert

summer 2020

Four key COVID-19 tax changes

C OVID-19 uncertainty abounds. By monitoring tax changes on your behalf, we can work together to navigate the right path for you and your family. Here is a round-up of some of the new personal tax-related laws.



- 1. Above the line deduction of up to \$300:** Standard deductions for the 2020 tax year are \$12,400 for individuals and \$24,800 for married joint filers. That means many taxpayers will choose not to itemize. But the CARES Act comes with a surprise. Even if you use the standard deduction, you can take a \$300 above-the-line deduction for cash contributions to charity.
- 2. Stimulus payments are tax free:** Many individuals are receiving stimulus payments of \$1,200 while couples are getting \$2,400. These government payments are free from taxes. So no matter how much you owe or don't owe for 2020, you get to keep all of the stimulus money.
- 3. No required minimum distributions from retirement plans:** The CARES Act waives all required minimum distributions (RMDs) from IRAs and defined contribution plans such as profit sharing and 401(k) plans for 2020. This includes your first RMD if you reached age 70 ½ during 2019. If you already took your 2020 RMD, you

may roll the amount back into the plan if you do so by August 31, 2020.

- 4. No-penalty withdrawals from your retirement plan:** In 2020, you can take a distribution from your retirement account for coronavirus-related reasons and not pay the 10% early distribution penalty. You will still have to pay taxes, but this can be done over three years. You can also pay the distribution back within three years regardless of the annual caps on retirement plan contributions. Another option is to take a loan from your retirement plan of up to \$100,000 between now and September 22, 2020 and defer loan payments for up to one year. ♦

Are you ready for July 15th?

At the end of March, the treasury department shifted the due date for 2019 tax returns by 90 days until July 15, 2020. The extensions are automatic and taxpayers do not need to file additional forms or contact the IRS.

2019 Federal taxes

The move to July 15th applies to all taxpayers:

- Individuals
- Trusts and estates
- Businesses
- Self-employed individuals

The extension also applies to all payments related to these taxes including personal income tax and self-employment tax. You also have until July 15th to save up to \$6,000 in your individual retirement account (plus \$1,000 if you're age 50 or over) and have the contribution count for 2019.

If you can't get your return done by the July deadline, filers can request an extension until October 15th but payments are still due on July 15th.

2019 State taxes

You should also pay attention to what's happening at the state level. Many states including New Jersey, New York, Pennsylvania and Delaware delayed their tax filing deadlines to July 15th as well.

2020 Estimated taxes

For the 2020 tax year, both first and second quarter estimated income tax payments are due on July 15th. One surprise for individuals: If you lost your job or were furloughed and are receiving unemployment benefits, you may be required to pay federal and state tax on the benefits received. Check with your accountant or tax professional for more information. ♦

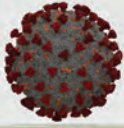
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COVID-19 Schemes and Scams

Scammers are taking full advantage of COVID-19 fear, preying on consumers and businesses alike. Here are some of the latest scams to be alert for:

- **College student scams:** Emails are showing up in college student inboxes from the “Financial Department” of their university. The email has a link to a message about a COVID-19 economic stimulus check — and requires the student’s university login. It’s a phishing scam.
- **Pet adoptions:** The bad guys are taking advantage of families wanting to adopt. Watch out for advertisements for free or discounted purebred dogs, and photos of the same cute pets that show up on multiple sites. It’s best to work with a reputable animal shelter or local rescue league.
- **Fake charities:** Scammers are expert at taking advantage of people’s generosity and often use names that sound a lot like real charities. Before you give, check out nonprofits on Charity Navigator or GuideStar. As with purchases, pay by credit card, not by gift card or wire transfer.
- **PPP business scams:** There is \$130 billion left in the Paycheck Protection Program but small business owners are at risk for scams. For example, there’s a fake email claiming to be from the SBA encouraging owners to apply for a PPP loan. For those who have already applied, there’s a robocall scam—again from the ‘SBA’ asking for confidential information to verify your account. There are also criminals masquerading as lenders who are sending out fake applications. Before you apply for the PPP, verify that the lender is approved by the SBA to administer PPP Loans.

A good rule of thumb: if you receive a solicitation related to COVID-19, especially by email or phone, ignore it. ♦

Recovery from COVID-19: Small business cash flow

At times like this, having cash on hand could mean the difference between keeping business operating or closing your doors. With so much at stake, it’s incredibly important to have a cash flow forecast and plan for the next 12 months. There are four key steps to creating your plan.

Step #1: Gather historical data and build a template.

Use tax returns and financial statements to get a picture of your operations over the past few years. Alloy Silverstein has a template you can use to show sales revenue, receivables, expenses, and bank balances.

Step #2: Project revenues based on current conditions.

Here are some things to think about. Now is a good time to focus on driving high-margin products. It may not be the best time to cut prices because this reduces profitability. Consider questions such as will you be at your usual capacity and will customers be paying immediately? Be sure to forecast when cash will be coming in, not when you’ll be invoicing.

Step #3: Review your expenses. First, identify critical vendors. Those who are central to your business and with whom you have a strong relationship may be willing to negotiate payment terms. Any delay in payments will help your cash flow position. Also, be cautious with your inventory. Don’t waste cash on materials you don’t need now.

Step #4: Analyze your projections. Are they realistic and are they flexible? Be



prepared to change your forecast with changing conditions. Create a plan with multiple scenarios. Also, be sure to discuss your projections with your management team. You’ll want their buy-in and you’ll want everyone on the same page.

If you’re projecting a negative cashflow, there are some options to consider. Try to get a loan for your shortfall. Speak with your landlord and see if they will extend your lease and your rent due dates. Consider cutting salaries further. That’s a difficult decision, but you can’t hire employees back if you’re not in business.

Most importantly, measure your forecast with actual results. If you’re falling short of projections, you’ll need to adjust your plan accordingly.

Cash is essential to remaining afloat. Try to stretch every dollar as far as you possibly can to maintain the business you’ve worked so hard to build. Alloy Silverstein is here to guide and support you. ♦

Work from home for keeps? The pros, cons, and best bets

Many companies are planning to give employees more flexibility with remote working, even when COVID-19 is behind us. That comes with positives and negatives for employers and employees alike.

Businesses have found that productivity and morale haven't suffered during the pandemic. In fact, employees are trading commuting time for productive time, and most people appreciate the flexibility to control their own environment and schedule that comes from remote work.

Of course, some employees are feeling isolated while others juggling childcare, home schooling, and work are feeling exhausted. For these individuals, work-at-home success is more challenging. If you want to be more productive and less stressed or know of a colleague who is struggling, here are some tips.

Productivity hacks

- **Develop a routine**—The most productive workers adopt their former workplace routine to their home offices. This includes scheduled breaks and clocking in and out at the same time every day.
- **Have a designated work space**—Whether it's a backyard table repurposed as a desk or a guest room reclaimed as your home office, a quiet, private space for work is essential.
- **Use to-do-lists**—Daily goal setting is important. A personalized daily list prioritized by critical activities will keep you on track.
- **Connect with colleagues frequently**—Those who have regular updates with managers and coworkers (think: virtual happy hour) tend to be more effective and happy.



Another remote work challenge facing businesses and their team members is keeping information private and secure. Here are some tips to help users when connecting online from home.

Cybersecurity tips

- **VPNs**—Make sure you are using a secure connection to your work environment via a virtual private network (VPN) which encrypts the line of communication between your home device and work network.
- **Cloud storage**—Make sure that you know and follow your company's procedure if you are accessing confidential data remotely via cloud storage (for example, Dropbox, or One Drive).
- **Backup**—Important files should be backed up regularly. Understand your company's policy so files aren't lost.
- **Beware of phishing and malware attacks**—Make sure your passwords are strong and unique, use multi-factor authentication when possible and be careful of opening and clicking links in emails about COVID-19. ♦

Employer tax credits and tax holiday

The CARES Act comes with some unexpected benefits for small and large businesses alike. This includes tax credits around paid sick leave, paid family leave and employee retention as well as deferral of some Social Security taxes.



- **Families First Coronavirus Response Act (FFCRA)** — Small businesses (less than 500 employees) that were required to provide paid sick leave of up to 80 hours for COVID-19 absences can take a fully refundable tax credit to offset the required payments. The same goes for family leave related to COVID-19.
- **Employee retention credit**—Qualified small businesses who paid qualified wages (up to \$10,000 per employee plus health insurance coverage) between March 12, 2020 and before January 1, 2021 can take a 50% credit. The amount depends on the size of the employer and the extent to which operations were impacted because of COVID-19.
- **Defer federal payroll taxes**—Employers can elect to defer 50% of employer Social Security taxes until December 31, 2021 with the remaining 50% paid in 2022. This is for wages paid between March 27 and December 31, 2020. ♦

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- **Alloy Silverstein Accountants and Advisors**
-Recognized with the *South Jersey Biz* Community Impact Award.
- **Ren Cicalese, CPA, PFS, CGMA**
-Interviewed and published in the new publication *Invest South Jersey*.
-Reappointed to the AICPA Practice Advisory Group for 2020-2021.
- **Angela Venti**
-Guest on the BiggerPockets Podcast episode “The Disaster Loans That Could Save Your Business,” April 7.
-Presented the “Paycheck Protection Program vs. Economic Injury Disaster Loan,” webinar to the Burlington County Regional Chamber of Commerce, April 3.
-Presented two webinars on the Paycheck Protection Program for Hardenbergh Insurance Group, April 23 and May 28.
- **Angela Venti**
Ren Cicalese III, CPA, MST
-Presented a sold-out Alloy Academy webinar on “The Bigger Picture: PPP Cash Flow Planning for 2020 and Beyond,” May 19.
- **Julie Strohlein, CPA**
-Served as a panelist for the Doctors Advisory Alliance webinar “PPP Forgiveness: Use and Audits,” May 21.
- **Chris Cicalese, CPA, MSTFP**
-Authored the feature article “Handling Competition – Is it time to be innovative?” in the May/June issue of *New Jersey CPA*.
- **Chris Cicalese, CPA, MSTFP**
Julie Strohlein, CPA
-Presented “Understanding Financial Statements” to Stockton University’s Small Business Development Center, May 20.
- **Chris Cicalese, CPA, MSTFP**
James Storey, CPA
-Presented the Greater Vineland Chamber of Commerce webinar “IRS 2020 Changes,” June 2.

Congratulations

- **Ren Cicalese III, CPA, MST**, celebrating his 15th anniversary with the firm.
- **Kathi Migliacco**, celebrating her 5th anniversary with the firm.
- **Gabrielle Perry**, on successfully completing the CPA examination.

Welcome

- **Elizabeth Dugan, CPA, PSA**, previously employed at a local regional accounting firm.
- **Anh Nguyen, CPA**, previously employed at a Jersey shore area accounting firm.
- **Chloe Nguyen**, previously employed at a Jersey shore area accounting firm.
- **Vincenzo Cardellia**, a recent graduate of Rutgers University-Camden and former tax season intern.
- **Olivia Gargano**, a recent graduate of Rutgers University New Brunswick. Olivia is Alloy Silverstein's new full-time Digital Marketing Coordinator.

Alloy Spotlight



Typically we use this corner to introduce one of our team members, but nothing about right now is typical. Bedrooms have turned into offices, kitchen tables have become student desks and pets are more than companions—they’re office mates.

So much has changed for everyone, but one thing that hasn’t changed is the absolute dedication, fortitude, and determination of our team.

So this quarter, the spotlight is on the entire Alloy Silverstein workforce.

Keeping up with the furious pace of economic stimulus programs and new tax laws has been daunting, but we’ve been motivated by Managing Shareholder Ren Cicalese’s rallying cry, “if we know the answer, you’ll know the answer.” Communication has been a constant and our CPAs have been working around the clock to provide advice to individuals needing help. We know what’s at stake for so many business owners.

As Maya Angelou once said, “People will forget what you said, people will forget what you did, but people will never forget how you made them feel.” To that point, we are striving to make it as comfortable as possible for our clients to make hard decisions—about their loved ones, their livelihoods, and their futures.

Associate Partner Kelly Raso explains. “I worry about some of my smaller clients who have invested countless hours and dollars into their business. They are pouring their hearts out to me because they have no one else to turn to. I’m glad that

we can be a sounding board and help them get through this.”

Through emails and in late-night conversations with clients, Alloy Silverstein staff are echoing Kelly’s sentiments. “It’s confusing. You can talk to me anytime. If you need to vent, I’m here for you.”

We are proud to have directly helped more than 140 small businesses secure a total of \$35 million in COVID-19 relief loans and grants, supporting the jobs of thousands of workers. We were able to assist clients, future clients, friends, family members and non-profits across the country including New Jersey, Pennsylvania, Florida, Connecticut, Ohio, Texas, Tennessee, Alabama, Illinois, South Dakota, Colorado, Hawaii and more.

Following Hurricane Sandy, Alloy Silverstein operationalized a plan so the staff can work remotely without skipping a beat. That and our continuous interest in advanced technology meant we were ready for a new normal and to help clients and friends at a moment’s notice. ♦

In The News

Several of our professionals have been quoted in various press publications, including *Yahoo Finance*, *Philadelphia Business Journal*, *NJBiz*, *FastCasual.com*, *RetailCustomerExperience.com*, and more.

See the Firm News section of our website for more details.

I am planning.....to be surprised

by Ronald V. Donato, Jr., CFP®, MBA

It has been comforting to me, and I think to our clients, that during the Coronavirus crisis the Retirement and Financial Plans we worked on in prior months and years showed what their real financial position is instead of focusing on only short-term market moves. However, even well-conceived plans encounter challenges when circumstances change in an unexpected way. In fact, recent events have caused me to re-write this article several times.

First the economic issues: recoveries vs downturns

All market declines are unique, and certainly this one is without precedent in my lifetime. It is a fact, however, that historically the recoveries have been much longer and stronger than downturns. The most recent example is the S&P 500 on 3/23 at about 2,237, followed by about a 36% recovery through Friday May 29 to about 3,044. Still down for the year, but you get the point. Make a plan, stay focused on the long-term, and don't over-react to the news. You only have a permanent loss if you sell after losing.

Will there be a second stock market pullback or a 'double bottom'? Could be, but to para-phrase Warren Buffet: 'Don't bet against America'. It is also interesting to note that some new companies will arise from this as they have in past recessions (yes, it appears that we are in one). The question remains whether or not these new companies will be able to hire those who have lost their jobs, and replace those businesses that will not make it back.

The Congressional Budget Office yesterday came out to say that it will

take 10 years for the economy to fully recover. Frankly, they have been wrong so many times that I don't pay much attention to the CBO; but I have to include that here. For now, the best guess is that we will get to a semblance of normalcy within the next six months, and complete normalcy economically when there is a vaccine.

China reneges on a 50-year old treaty on Hong Kong

The Communist Chinese Government has decided that, during this pandemic of their own making, they would move to a complete takeover and rescind all the rights of the people of Hong Kong. Weren't the people of Hong Kong protesting before the Chinese Government caused the pandemic? What a coincidence. This will undoubtedly have trade implications, as Hong Kong is a major Far East trade hub. Likely, it will have a negative impact on the U.S. 'Phase One' trade agreement. Stay tuned!

How will you proceed?

We can all 'shelter in place', be paralyzed by worry, and generally not plan on coming out of this in good shape. Or, we can take charge of our lives by making and executing a plan of action. It is entirely your call whether or not you decide to plan, be positive, and see the big picture. Just know that we are here to help you to create, execute, and monitor your plan, including utilizing the many risk-management tools at our disposal. We look forward to working with you! ♦

Past performance does not guarantee future results.



Joseph F. Adams

1943 — 2020

We are deeply saddened to announce the passing of one of our firm's long-time partners, Joseph F. Adams. He was a backbone of the firm and mentored many of our current leadership team members.

A proud 1966 graduate of Villanova University with a B.S. in Economics, Joe's accounting career spanned nearly 50 years. He joined Marvin Alloy and Raymond Silverstein in our Pennsauken, NJ office in 1968 and was elected Partner in 1979.

Joe had a patient way of providing wide-ranging tax, accounting, and especially advisory services. He was a member of the AICPA, NJCPA, and PICPA. Throughout his career, Joe was active in the South Jersey business and philanthropic communities, including serving many years on the Board of Directors of The Bank (now Fulton Bank). In addition to his career achievements, Joe was a dedicated family man.

He will be greatly missed and remembered by many in the South Jersey community, and we take pride in continuing his tradition of excellence. ♦



Alloy Academy

Upcoming this Summer:

Suddenly Remote – Assessing Where You Are Today

Cost-Cutting Tips for Small and Family Businesses

Business Continuity Lessons Learned from COVID-19

Bookkeeping in the Cloud – All About Xero and QuickBooks Online

Learn more and register at AlloySilverstein.com/alloy-academy/

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#AlloyCares

During these tough times, Alloy Silverstein has remained steadfast in our commitment to the community.

-We purchased 5,000 meals for the Food Bank of South Jersey.

-The firm donated \$1,000 to the New Jersey Pandemic Relief Fund.

-Thank you to all who contributed to our second annual Animal Shelter Drive benefiting the Lindenwold Animal Adoption Center.



Want to give back to a local organization in need? Ask about our community partners, who are helping area families through these unprecedented times.

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What the IRS is up to

E-filing for amended returns

Normally, amended returns must be submitted to the IRS on paper. The agency will allow taxpayers to amend their 2019 return electronically this summer using Form 1040X.

New W-4 Form

The IRS has redesigned Form W-4 to reduce complexity and improve accuracy. You should be updating your W-4 to withhold (as closely as you can) the exact amount you owe. This will help avoid a tax bill next year or getting a tax refund, which is really an interest-free loan to the government. The IRS Withholding Estimator Calculator on [irs.gov](https://www.irs.gov) is a great tool.

Flexibility in medical care spending

The CARES Act allows individuals in high deductible health plans (HDHP) to have telehealth and other remote care services covered through an HSA

without a deductible, or with a deductible below the minimum annual deductible required. Rules to other health-related accounts have been modified to cover reimbursements for certain over-the-counter products and medications.

2021 HSA Limits

Contribution limits for health savings accounts are increasing next year to \$3,600 for individual coverage up from \$3,550 for 2020, or \$7,200 for family coverage up from \$7,100 for 2020.

IRS opening offices

The IRS has had limited service and personnel since March, but is beginning to open offices and resume operations on a state-by-state basis. To support social distancing and speed the processing of tax returns, refunds, and payments, taxpayers are encouraged to use electronic options.

Visit irs.gov/coronavirus for the latest updates.

Upcoming **tax** deadlines

July 15

- Extended deadline to file 2019 individual, trust, and calendar-year C-Corporation returns.
- Extended deadline for making 2019 IRA contributions.
- Annual gift tax returns are due.
- First and second installments of 2020 individual estimated taxes are due.
- 2016 unclaimed refunds: Eligible taxpayers have until July 15, 2020 to submit 2016 tax returns.

September 15

- Third quarter individual estimated tax payments for 2020 are due.
- Deadline to file extended 2019 S-Corporation and partnership returns.

October 15

- Deadline to file extended 2019 individual, trust and calendar-year C-Corporation 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.