



# ALLOY SILVERSTEIN ACCOUNTANTS AND ADVISORS

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## Tax smart advice for laid off workers

If you're one of the millions of Americans who has lost work due to the pandemic, there are ways to reduce your 2020 taxes and get aid now. Among them:

**Take tax credits.** With your income reduced you may now qualify for the EITC which can be worth over \$6,000 for a family with three kids. The bonus? As a refundable credit, it pays even if you don't owe any taxes. Two other credits to inquire about: the Saver's Credit for those who have contributed to an IRA or 401 (k), and the Dependent Care Credit if you paid someone to watch your child while you worked or looked for a job.

**Tap your IRA.** Need cash now? There are two ways your IRA can help. First, if you made a contribution during the year but need the money back, you can withdraw it without penalty. Second, you may also withdraw up to \$100,000 from a tax-qualified retirement plan in 2020 without the usual 10% penalty, thanks to the CARES Act.

**Suspend student loan payments.** If you have a loan from a bank, credit union, college, or private company, contact the lender. Many are offering assistance to individuals whose incomes have been impacted by the pandemic.

**Inquire about public assistance.** While unemployment compensation is taxable, public assistance benefits generally are not. Don't be afraid or ask for aid like food stamps to tide you over while you look for work. You pay taxes year after year, so it's your right to claim this aid when you need it most. ♦

# clientalert

winter 2020

## Four tax tips for a better 2021

**B**efore you turn the page on this unprecedented year of change, consider making some changes that can improve your finances into 2021. Here are four suggestions to get you started.

**Take advantage of your company's HSA account.** With tax deductible contributions and tax-free withdrawals for qualified healthcare expenses, HSAs are among the most tax-advantaged accounts available. An HSA can also be used as a retirement savings account since money you don't need to take can be left until age 65.

**Go green.** Homeowners can get a federal tax credit up to 26% on certain home alternative energy equipment through 2021. This applies to solar panels, solar water heaters, geothermal heat pumps, and

small wind turbines. There is also a tax credit up to \$500 for a qualified fuel cell.

**Max out your retirement accounts.** Contributions to a retirement plan can help lower your tax bill and set you up for a more secure retirement. In 2020, you could set aside as much as \$19,500 of your compensation (\$26,000 if you are 50 or older) into an employer-sponsored plan. The current limit on IRA contributions is \$6,000 (\$7,000 if you are 50 or older).

**Give it away.** Did you know that you can give up to \$15,000 to as many individuals as you wish without paying gift taxes? This could include gifts of cash or property, including investments. You can also give away household goods like furniture to charities and possibly get a tax deduction if you still itemize. ♦



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## Switching jobs? Here's what to do with your 401(k)

Perhaps you were furloughed because of the pandemic or you're simply searching for greener pastures. If you have a 401(k) from your soon-to-be former employer, you must decide what to do with it when you leave. Here are your four options:

- Leave the money in your previous employer's pension plan.
- Roll over the money to your new employer's pension plan.
- Roll over the money into an IRA.
- Take the money and run.

Which is best for you? Here are some things to consider:

**Keep the borrowing option open.** If you want to borrow money from your 401(k) in the future, consider rolling the funds into your new company's plan. Sometimes former employers will not let you borrow funds if you are not currently employed by them.

**Take the money.** This year may be the best time to make a withdrawal from a retirement account. Usually you owe income taxes on distributions plus a 10% early withdrawal penalty. Because of the CARES Act, qualified individuals are allowed to take up to \$100,000 in coronavirus-related distributions from a 401(k) in 2020 penalty free.

**Invest the money.** While it might be tempting to borrow or take an early distribution, you'll also be depleting future earnings intended for your later years. Think about whether you truly need the money now or not.

Whatever you decide, it is always best to transfer the funds directly from one retirement account to another so the movement isn't characterized as a distribution subject to income tax. ♦

## Creating a better business culture in a pandemic world

**T**here's no denying the importance of a healthy organizational culture. Research proves that it drives innovation, helps recruitment and retention, and increases engagement and productivity.

In contrast, companies with high-pressure environments have 50% greater healthcare expenditures, 37% higher absenteeism, and 60% more errors according to a report in Harvard Business Review.

People thrive on human connection. Most enjoy collaboration. The best strategy for maintaining your hard-earned culture in the current environment is to show employees that you are looking out for them as human beings. Here are some ideas from companies who are doing just that.

**Employee assistance program** - Does your benefits plan have an EAP which provides confidential counseling for things related to finances, childcare, elder care, divorce, and other issues? If so, communicate about it often. Given the stress and uncertainty we're all living with, employees will appreciate this benefit now more than ever. If you don't offer an EAP, consider it now.

**Access to top management** - Think about hosting an AMA (ask me anything) session at a set time each week. Your team members can submit questions in advance for you to answer.

**A Slack channel for hangouts** - Office chit chat doesn't have to go away, it can be redirected. Start a 'water cooler' Slack channel where employees can drop by when they need a 2-minute break.

**Acknowledge personal milestones** - The pandemic is making it more difficult than ever to celebrate important life events with friends and family. You can demonstrate that you care about your team members' lives with a shout out for birthdays, engagements, weddings, babies, graduations, and other important milestones.

**Personalize meetings** - This is a strategy that can keep going long after the pandemic is over. Open each meeting with an ice breaker - even when you know each other well. Chocolate or vanilla ice cream? Favorite Netflix binge? Even a simple "I just ate a . . ." will show that you are all human first, coworkers second. ♦





## Is a tax trap lurking in your paycheck?

**D**oes your paycheck look a little higher than normal? If so, it could be a tax trap.

### The problem

A payroll tax holiday was enacted for September 1, 2020 through December 31, 2020, via a presidential executive order. Employers are permitted to suspend withholding of Social Security taxes from your paycheck as long as you earn less than \$4,000 during a biweekly period. Employers may voluntarily participate, but it is not mandatory.

It is important to realize that this is only a deferral of the tax, not forgiveness of the tax. Without legislative action by Congress, the Social Security taxes will need to be repaid in 2021.

This means you could have double the usual amount of Social Security tax withheld during the first quarter of next year until the entire deferral has been repaid.



### What you need to do

**Compare paychecks.** Get your last paycheck from August and your first paycheck from September and compare the amount of Social Security taxes withheld. If there is a difference, or you notice that no Social Security taxes were withheld from your September paycheck, then you may have a tax repayment bill in early 2021.

**Keep checking.** Companies are struggling to figure out if they are required to comply with the presidential executive order, payroll providers are trying to figure out how to comply, and everyone is wondering if the tax obligation will be forgiven.

**Be prepared to pay it back.** If possible, open a savings account to set aside the Social Security taxes that were not withheld from your paychecks. The money will be available to use while your take-home pay is reduced in early 2021.

There's always a chance that Congress could pass a law forgiving the deferred taxes, and repayment will not be necessary. If you have any questions about how this payroll tax executive order affects you, please call us. ♦

## business alert

## Protect your cash with segregation of duties

**F**raud and embezzlement don't just happen at large companies. According to a 2018 study by the Association of Certified Fraud Examiners, companies with under 100 employees are the biggest victims of internal fraud with the median loss at \$200,000—nearly twice the damage to larger companies.

More than 40 percent of fraud is traced to a lack of internal controls. The good news: they don't have to be complicated or expensive.

The best way for small businesses to battle fraud is a simple segregation of duties. Here, different people are responsible for authorizing expenditures, custody of cash, and reconciliation of expenses. How?

- **Disbursements.** Only the owner or a designated, trusted manager should sign checks, authorize electronic payments, or perform fund transfers. Management gets to see how the company is spending its money, and the disbursement function is kept separate from bookkeeping and accounting. Embezzlement is much easier to achieve when the same person who signs checks and authorizes electronic transactions also enters disbursement transactions in the accounting records.
- **Control of cash.** If customer collections are a regular part of your business, consider having an owner or manager occasionally open the mail before passing it on to accounting. That's one way to detect unusual transactions before they're recorded in the

company books. Alternatively, you might ask someone separate from accounting to open the mail and prepare a deposit slip. The practice of making daily deposits is also a good control.

- **Reconciliations.** For companies with limited resources, periodic review of bank reconciliations by someone outside of accounting can provide a mitigating control. Non-accounting personnel performing these reviews will of course need to be trained. This also helps to ensure continuity of operations when accounting employees take vacations or leave the company. ♦



## alloy happenings

### ■ Alloy Silverstein Accountants and Advisors

-Named a Top 5 Accounting Firm Thriving During COVID by botkeeper.com

### ■ Ren Cicalese, CPA, PFS, CGMA

-Attended IMPACT Virtual Partners Conference, August 20 & 21.  
-Featured in the article "C-P-A-is-for-anywhere" on ROI-NJ.com, September 7.  
-Panelist for Invest: South Jersey Virtual Launch Conference, October 8.  
-Appointed to the board for the South Jersey Bankers Association

### ■ Dennis Vogt, CPA

-Named a Top Executive for 2020 by SJ Biz Magazine

### ■ Anne D'Amico, CPA, PFS

-Panelist for CCSNJ Women's Conference "Making Sense of Your Money: Controlling Your Financial Health," October 27

### ■ Julie Strohlein, CPA

-Featured in an article in NAWBO SJ's fall newsletter "Can I Deduct My Increased Home Expenses?"  
-Presented "2020 Tax Updates" to SJWIB, October 13.

### ■ Chris Cicalese, CPA, MSTFP

-Featured in Commerce Magazine's November issue Special Accounting Section on Technology and Real Time Financial Data.

### ■ Chris Cicalese, CPA, MSTFP

#### Julie Strohlein, CPA

-Presented "Tax and Business Tips for 2020 Recovery" Alloy Academy webinar, October 20.  
-Presented "Gearing Up for Year End" to Stockton University's Small Business Development Center, October 20.

### ■ Joyce Cinousis, CPA

#### Nicole Pelaschier

-Presented "Bookkeeping in the Cloud: All About Xero and QuickBooks Online" Alloy Academy webinar, September 22.

## Welcome

- **Melissa McCormick**, previously employed at a South Jersey CPA firm.

## Alloy Spotlight



*James E. Story, CPA,  
Director of Operations at Abacus Payroll*

This quarter's employee spotlight is on James E. Story, CPA, Director of Operations at Abacus Payroll, a division of The Alloy Silverstein Group. Abacus offers a complete payroll solution for businesses of all sizes, delivered with a commitment to above-and-beyond client service.

Jim, who earned his CPA in 2003, has more than 20 years of small business payroll experience and client relationships that span decades. It's because he believes that outstanding communication is the foundation of good business, and he puts that principle into practice every day.

"The first thing we do is listen. Someone might be having a rough day, but when they get off the phone with us, hopefully they are more relaxed and having a better day."

Flexibility is also key.

"Sometimes clients give us payroll over the phone. Others send it via email or fax, while many prefer to input the information themselves into our system, which is available 24/7 and 365 days a year. Our approach is to be accommodating."

Abacus clients have a dedicated payroll specialist and access to an online HR help center, electronic timekeeping app, and more. With clients who have employees in 44 states—each with its own payroll tax laws—the work keeps everyone on their toes. Jim is responsible for ensuring that all payrolls are delivered accurately and when promised. "It's anything but a doldrum business," he explains. "Tax laws are always

changing as are client needs. It's interesting and exciting. It's also very uplifting."

"We're dealing with people's livelihoods. Everyone wants to get paid correctly and on time. Knowing that business owners depend on you to keep their employees happy and doing so consistently gives me great satisfaction."

A graduate of Parsons College with a degree in accounting and psychology, Jim resides in Linwood, NJ with his wife of over 40 years. Outside the office, he enjoys traveling with his family and spending time with his grandson. ♦

## # ALLOY CARES



*Our Animal Shelter Drive began in February, but because of the pandemic, pickup was postponed until recently. The Animal Adoption Center in Lindenwold was the grateful recipient of many donated items including pet food and treats, toys, blankets, cleaning and office supplies, and more.*

## Schedule Changes

### Holiday Closures:

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

### Tax Season Hours:

Effective February 1 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.





## something <sup>2</sup> consider

### Who won and what could it mean?

by Ronald V. Donato, Jr., CFP®, MBA

At the time of this writing, it is November 2nd and I don't know who won the election. Are you happy or sad? Whichever you are, get over it and plan for your future.

Let's take a look at the likely policies that will be followed depending on who is in charge. The following are a summary of the thousands of webinars and published articles that I have been following from financial 'experts.'

#### Trade

Presidents have the ability to use tariffs, trade pacts, and certain enforcement tools in this arena. With this in mind:

- Trump Administration: Does consider tariffs as part of negotiating strategy, and has used most famously on products from China (and a few others).
- Democrat Position: Focus on climate-related policies and labor standards; and we don't know if tariffs would be utilized to pursue those.

#### Healthcare

Presidents can lower prescription prices, as the current administration has done, and can also affect changes to the ACA. Most large changes need Congressional approval.

- Trump Administration: Has increased transparency, would like repeal of Obamacare and a replacement by a more efficient system with private healthcare intact.
- Democrat Position: Medicare for All or expansion of Obamacare likely.

#### Energy Environment

Presidents can ban fracking and drilling on federal lands, or allow it.

- Trump Administration: Continue to maintain "energy independence," loosened EPA rules, and favors continued drilling.
- Democrat Position: Expand EPA regulations, subsidize "clean energy," and "phase out" oil and gas.

#### Technology

The President has limited authority, but has some through Executive Branch agencies.

- Trump Administration: Has not introduced more regulations on high-tech except as it pertains to theft by foreign governments (mainly aimed at China); however, recent Congressional hearings may suggest that Congress is preparing to do something.
- Democrat Position: Many different proposals, including net neutrality reinstated and breaking up large tech companies through anti-trust motions.

#### Financial Institutions

A President has significant authority in this regard, but Congress can enact legislation such as they did with the Dodd-Frank bill.

- Trump Administration: Eased much of the regulatory burden put on smaller banks by Dodd-Frank.
- Democrat Position: Includes proposals for limiting buybacks and corporate leverage, tighter regulation on private equity transactions, and breaking up the banks. Also proposed forgiving student loan debt, but that would require Congressional approval.

#### Tax/Fiscal Policy

This is really only in the hands of Congress, as they must approve tax policy.

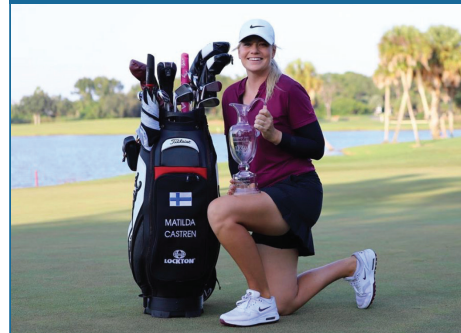
- Trump Administration: Lowered personal and corporate taxes through Tax Cuts and Jobs Act (TCJA), and have stated a desire to further reduce taxes.
- Democrat Position: Discussions mainly revolve around the repeal of the TCJA, increasing taxes on high net worth people, changing some of the retirement plan rules for tax deferral, and increasing the capital gains tax.

#### Pandemic Response

Obviously, this has become unfortunately very politically charged. Congress is in charge of passing any additional stimulus, and the House and Senate are far apart on a number. All I know is that I have too many friends who are still not working and do want to work. Not a fan of the CCP leadership at the moment.

After the election, I will evaluate the likely 2021 policies and outlook. ♦

## Team Alloy



Our professional golf alliance, Team Alloy, continues to see wins from our PGA/LGPA players. Alloy Team pro golfer, Matilda Castren, won by five strokes at the Symetra Tour's Mission Inn Resort & Club Championship, teeing up her first professional victory.



## Alloy Academy

Know any college students interested in public accounting?

They can learn all about accounting careers at Alloy Silverstein's

## VIRTUAL EXTERNSHIP DAY



Zoom Webinar

10:00am - 1:00pm

Thursday, January 7, 2021

Apply Online: go to  
[Alloysilverstein.com/extern](https://Alloysilverstein.com/extern)



## What the IRS is up to

### New taxpayer relief initiative

The IRS has made a number of changes designed to help struggling taxpayers impacted by COVID-19. These include an extension of the short-term payment plan option from 120 days to 180 days, easing of the information required to set up an installment agreement, and the ability to propose lower monthly payment amounts for those with direct debit installment agreements.

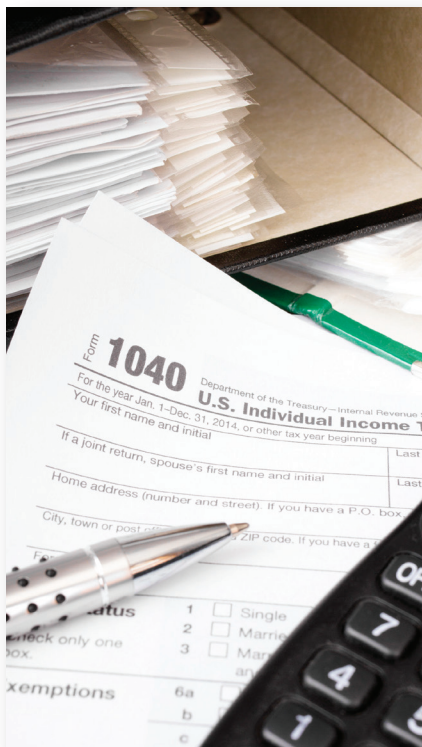
### Standard deductions up for tax year 2021

The standard deduction for married couples filing jointly for tax year 2021 has increased \$300 from 2020 to \$25,100. For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,550 for 2021, up \$150. For heads of households, the standard deduction will be \$18,800 for tax year 2021, up \$150.

### Earned Income Credit to rise for tax year 2021

Qualifying taxpayers who have three or more qualifying children can take a

credit of \$6,728 in the 2021 tax year. That's up from a total of \$6,660 for tax year 2020. ♦



## Upcoming **tax** deadlines

### January 15

– Due date for the fourth installment of 2020 individual estimated tax.

### February 1

– 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 Form 1099-NEC for nonemployee compensation to the IRS and to recipients.  
– Due date for payers to provide Form 1099-MISC to recipients.  
– Employers must file 2020 federal unemployment tax returns and pay any tax due.

### March 1

– Payers must file Forms 1099-MISC with the IRS. (March 31, 2020 if filing electronically).  
– Forms 1095 must be filed with the IRS.

### March 2

– Farmers and fishermen who did not make 2020 estimated tax payments must file 2020 tax returns and pay taxes in full to avoid a penalty.  
– Forms 1095-B and 1095-C must be furnished to recipients.

### 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. ♦

*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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