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clientalert

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A Dozen Tax Planning Triggers

With all the tax law changes over the past few years, it's good to know when to conduct a full tax planning session. If any of these triggers apply to you, it's smart to schedule a tax planning appointment.

1. You owed tax in 2020.
2. Your household income is over \$150,000 if you are single and \$200,000 if you file jointly.
3. You are getting married or divorced.
4. You have kids attending college next year.
5. You have a small business.
6. You plan on selling investments.
7. There are changes in your employer provided benefits.
8. You buy, sell or go through home foreclosure.
9. You have major medical expenses.
10. You recently lost or changed jobs.
11. You have not conducted a tax withholding review.
12. Your estate has not been reviewed in the past 12 months. ♦

Order out of chaos: prepare for this year's tax filing season

New legislation and backlogs at the IRS will make this tax return season more turbulent than most. Here are several tips to help you prepare:

for many, a provision that became law after some already filed their returns. If this pertains to you and you haven't received a refund of a tax overpayment, you might need to file an amended 2020 return.

Economic impact payments

Congress handed out three rounds of stimulus money in 2020 and 2021. Review your records and be clear about any 2021 payments so your tax return reflects this.

Dependent care credit

The credit for qualified dependent care expenses is higher in 2021 than 2020. The maximum for one child under 13 is \$4,000 and \$8,000 for two or more children. ♦

Small business loans

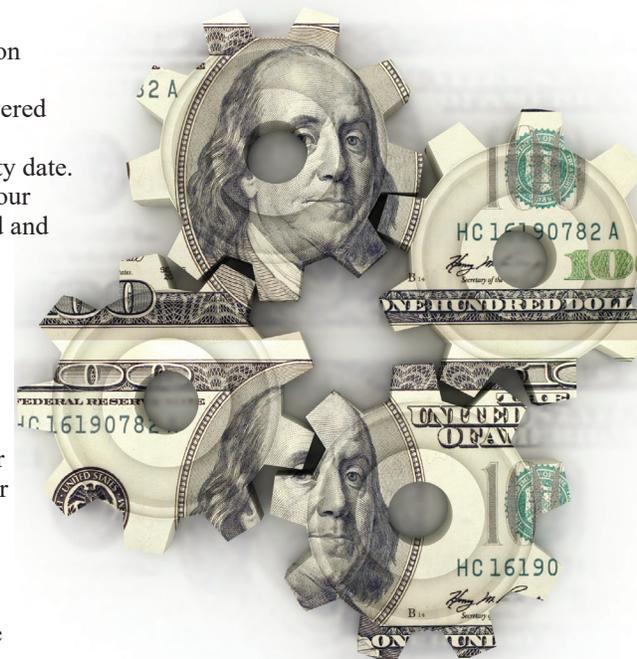
If you received a Paycheck Protection Program (PPP) loan, payments are deferred for 10 months after the covered period end date. You can apply for forgiveness up until the loan maturity date. For optimal tax protection, gather your records including what you received and when.

Child tax credit

Some parents received advance Child Tax Credit payments during the second half of 2021. Be sure to accurately identify these. The payments will be reconciled on your tax return to ensure you receive your full credit amount.

Unemployment benefits

In 2020, the first \$10,200 of unemployment benefits was tax free



Alloy, Silverstein, Shapiro, Adams, Mulford, Cicalese, Wilson & Co. – A Professional Corporation

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The real estate boom: opportunity for investors

While there have long been tax advantages to owning real estate, there are two little known tax-smart ways to invest: Opportunity Zones and 1031 exchanges.

Opportunity Zones

The Opportunity Zone tax incentive allows investments in federally designated, low-income neighborhoods and Qualified Opportunity Funds are a vehicle to make these investments. They have two advantages: tax deferral and potential tax reductions.

If you sell a capital asset, you can invest the gain within 180 days. Taxes are deferred until the 2026 tax year, or until you sell the investment, whichever comes first. Depending on when you make the investment and how long you hold it, taxes on the gains can be reduced 10% or more.

1031 Exchanges

These are for investors who want to sell property and acquire another. By following certain rules, you can postpone some or all of the tax that would normally be due on gains from the first property.

Because the simultaneous swap of property is rare, the rules allow for an intermediary to hold your sale proceeds until you find a replacement. The rules are strict, so it is best to work with an expert advisor prior to exploring this tax-saving technique. ♦

From seed to sale – the growing NJ market for cannabis

New Jersey’s legalization of recreational marijuana in November 2020 has investors and growers seeing green. Experts predict that sales for legal weed could grow to \$1.6 billion by 2025. That doesn’t include other uses of the plant, such as hemp and oils. Also promising are the many industries that will reap the benefits of the ‘Green Rush’—from testing labs to warehouses, transportation and packaging companies to retailers and professional services firms.

While the cannabis industry is certain to create jobs and spawn a multitude of business opportunities, the industry is extremely nuanced and constantly changing. Aligning with experts is a must.

Governing laws

When it comes to regulation, the complexities start with the difference between federal and state governments. Because cannabis is not federally legalized, FDIC-insured banks cannot be involved. Financing must come from state and locally chartered banks, venture capital and private investments.

Those interested in the industry also need to be aware of local regulations. Over 70% of New Jersey towns have banned all types of cannabis businesses, and only 98 will allow legal weed dispensaries.

Taxes and business structure

Taxes and audits can be particularly severe for cannabis businesses. For example, IRS Section 280 prohibits them from deducting business expenses from federal taxes.

It is also important for new cannabis businesses to choose the right structure. The differences impact the ease of start-up, financing, owner protection and reporting requirements.

Garden State update

New Jersey has learned important lessons from other states that have already legalized marijuana. Some states licensed businesses up and down the supply chain at the same time, creating a retail industry



(Source: NJ.gov)

before the product was ready. Here, the NJ Cannabis Regulatory Commission is licensing growers, manufacturers and testing laboratories first.

Applications for these businesses opened on December 19th and nearly 500 were received in the first four hours. The state is only issuing 37 licenses for cannabis growers before 2023 and priority is being given to veterans, women-owned and minority-owned businesses. Prospective marijuana dispensary owners can apply starting on March 15, 2022.*

Alloy Silverstein experts

We have a dedicated cannabis team with its pulse on the industry, and knowledge and connections needed to advise those who are interested. We are training extensively and we are members of Cheryl’s Lists, a network of cannabis experts from scientists to attorneys to investors.

Look for updates on our website and announcements about webinars, classes and more. ♦

*According to the NJCRC on March 2, 2022

Why 2022 is the time to update your employee handbook

Federal, state and local labor laws are changing constantly. Safety has taken center stage, remote and hybrid options are the norm, and diversity, equity and inclusion are essential. So much has changed in the past 24 months that it is difficult for businesses to keep up. However, doing so and keeping your employee handbook current is important for compliance, retention and wellness.

Here are some handbook topics that should be reviewed:

COVID-related policies: Your employees need to know your vaccination guidelines, worksite safety protocols, and remote and hybrid work rules. It is a good idea to incorporate COVID-related policies in a separate addendum for ease of updating and employee use. Keeping COVID policies separate also underscores that they are temporary and can be modified at any time.

Leave policies: Many states including New Jersey have changed employee paid leave policies. Last year the New Jersey Family Leave Act was strengthened to protect workers caring for sick family members while broadening the definition of ‘family member.’

Marijuana use: Now that recreational marijuana is legal in New Jersey, non-discriminatory hiring policies, testing and determining if someone is impaired at work are all issues that need to be addressed.

Non-discriminatory language: Your handbook should spell out the company policies on equal pay, diversity and harassment, and be written using gender-inclusive language.

Juneteenth: June 19th, commemorating the end of slavery in the U.S., is now a federal holiday like July 4th, Christmas and Martin Luther King, Jr. Day.

Employee classifications: The differences between an independent contractor and an employee must be clearly articulated. Beginning in 2022, misclassifying employees in New Jersey to avoid paying insurance is considered fraud. Penalties for the first violation are up to \$5,000 and criminal action is possible. ♦



The \$600 tax surprise

If you are a sole proprietor, gig worker, Facebook Marketplace seller or have some other side hustle, get ready to receive tax forms at the end of 2022 if you accept payments through an app like Venmo, PayPal or CashApp.

Beginning with income earned this year, if you receive more than \$600 in payments electronically through one of these payment processors, you will receive a form 1099-K detailing the income. The processors will also file the form with the IRS. All of your income has always been taxable, and potentially subject to self-employment tax. The 1099-K reporting will help the IRS find those who have been underreporting their income.

Before now, the IRS required processors to report when a seller had more than 200 transactions a year or payments exceeding \$20,000.

How will the IRS be able to distinguish if the money you received was a payment for goods or services you sold, or say a gift from a loved one? Perhaps your easiest solution is to have two accounts: one for professional or business transactions and one for personal exchanges of money. Keeping separate records is also always an option.

Be aware that your payment app may be reaching out to request tax information such as an Employer Identification Number (EIN) for your business, or your individual tax ID or Social Security number. ♦



Alloy Silverstein Accountants and Advisors

- Sponsored the New Jersey Food Processors Association (NJFPA) 2022 Annual Conference, March 18.
- Named to “Cheryl’s Lists: Connection Cannabis Professionals,” an exclusive vetted list of cannabis business professionals.

Ren Cicalese Nicole Pelaschier

- Presented at the firm’s 14th Annual Externship Day for accounting majors. Nine students from South Jersey universities attended this year’s virtual event to learn about the CPA career path, January 12.

Julie Strohle, CPA

- Named a “Woman to Watch” in the February 2022 issue of *South Jersey Biz*.

Ren Cicalese III, CPA, MST

- Presented as a panelist for “It’s Complicated, But Does it Have to Be?” to the Chamber of Commerce of Southern NJ’s Family Business Council, March 3.

Chris Cicalese, CPA, MSTFP

- Authored “Telling Clients to Prep Before the Close Can Save Them Time and Money” on the New Jersey Society of CPA (NJCPA) blog, December 1.
- Authored “Playing in the Big Game Means Paying Big Taxes” with Wolters Kluwer, February 11.

Janine Kiriluk

- Presented on QuickBooks and bookkeeping tips at the NJ Electronic Life Safety Association (NJELSA) Annual Symposium in Atlantic City, February 23-25.
- Joined Impact 100 South Jersey. Alloy Silverstein now sponsors 6 members of this collective giving women’s organization, which has donated over \$800,000 to local non-profits.

Adrienne Dell’Olio

- Participated as a panelist for the Rutgers-Camden Careers in Public Relations & Communications Panel, February 23.

Welcome

- **Sean Brislin**, a recent graduate of Western Governor University, to the Small Business Services bookkeeping team.
- **Deanna Regan**, a recent graduate of Stockton University, to the Small Business Services bookkeeping team.
- **Zoey Rehak**, a recent graduate of Stockton University, to the Abacus Payroll team.

Congratulations

- **Anne Marie Galfo**, celebrating her fifth anniversary with the firm.

Alloy Spotlight



This quarter our employee spotlight is on **Stacy Miller**.

Stacy became a member of the team in June of 2021 when JB Financial Associates merged into Alloy Silverstein Accountants and Advisors and became the Small Business Services division. She was with JB Financial since 2015, and served as Director of Client Relations, helping to grow the business from a handful to more than 80 clients in three years.

She worked at a law firm while in college, served as an election commission accountant on two political campaigns, and ultimately became a member of the accounting department for a large Center City Philadelphia law firm. She is an expert in legal accounting, and today, is responsible for bookkeeping and payroll for all of Alloy Silverstein’s Small Business Services’ legal clients, along with other small businesses and entrepreneurs.

“I’m very detail-oriented and thorough and enjoy investigating things,” she explains. “It’s fun to find something that is wrong and fix it. Being a perfectionist doesn’t hurt either.”

Stacy takes pleasure in the fact that her work is helping keep businesses afloat, especially in today’s economy. “We had the privilege of making sure that all of our clients who applied for PPP loans were approved and their loans were forgiven.”

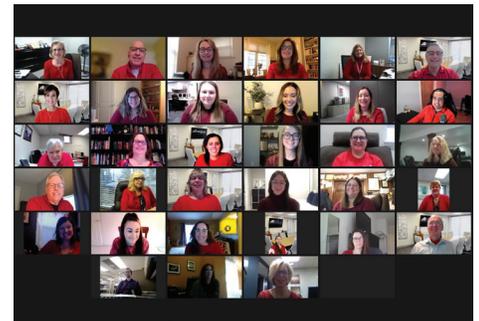
Stacy lived in Columbus, New Jersey before relocating recently to Winter Springs, Florida. Alloy Silverstein’s technology and approach to remote work allows her to capably serve clients from hundreds of miles away.

The West Chester, PA native holds a B.A. in Political Science from the University of Nebraska. When she’s not working or caring for her five children, ages eight to 26, Stacy enjoys spending time at the beach, listening to music, golfing and rooting for the Philadelphia Eagles. ♦

Team Alloy

Our Team Alloy sponsored golf players for the 2022 worldwide season include 15 players representing 12 countries. These talented golfers compete on the PGA, Korn Ferry, LPGA, Epon, and international tours.

- Amelia Garvey
- Alejandra Cangrejo
- "AJ" Newell
- Aneta Abrahamova
- Cameron Percy
- Emily Penttilä
- Karolina Vlckova
- Katherine Perry
- Kiira Riihijarvi
- Leslie Cloots
- Marion Duvernay
- Matilda Castren
- Michaela Finn
- Rachael Taylor
- Steve Allan



Alloy Silverstein’s team continues our annual fundraising for American Heart Association’s Go Red for Women campaign, raising \$4,000 this year for women’s heart health awareness.



Thanks to the generous support of employees, clients, friends and neighbors, Alloy Silverstein adopted 68 families this holiday season through our “Adopt a Family” initiative. This was our biggest year yet since we started with 5 families in 2013. Nearly 200 people were helped from Camden to Cape May.

ANOTHER YEAR IN THE HOUSE

by Ronald V. Donato, Jr., CFP®, MBA

At the time of this writing it is snowing outside, the equity markets have had (to be kind) a volatile start to the year, and I am still stuck inside my house or sentenced to mask wearing when I leave (yes, I got all my shots). Add to this a significant rise in crime, inflation which I told you last August was going to be nasty and not transitory unless there was a change in policy direction, and a plethora of inept policy proposals that are not helping to relieve the supply shortages of almost everything, and you might find yourself less than thrilled about the future. However, history and the numbers might argue with you.

America Always Corrects Mistakes and Thrives

Let's face it, we have had a lot of difficult times in the past. Typically, the average person (who by the way is the one who makes the country go) will tell us when they have had enough and it is time to change course. One example is the recent Monmouth University poll which shows that 70% of Americans agree that we just need to accept that Covid is here to stay and we just need to get on with our lives. It is sad what Covid has done for many reasons; but I am certainly one of the 70% who are ready to move on.

There are definitely differences in the populace today (probably the term 'snowflake' was not one used in 1941), and in the world economic order due to the rise of China and our dependence thereon for supplies. However, I am hopeful.

The Recent Market Movement Must Be Viewed with Historical Perspective

In the final session before Christmas, the

S&P hit another record close at about 4,725. The DJIA hit about 36,585 on January 3rd. The Nasdaq (tech stocks) record was about 16,057. These were followed by a lousy January for the equity markets. As of the close today these are now at 4,546 and 35,405 and 14,346, respectively. Although Nasdaq has been hit hard this year, none of these closes are the catastrophe that we are reading about in some articles. They are down about 3.8%, 3.2%, and 10.7%, respectively year to date. Certainly, these are not unheard of either, as the average stock move downward during any year is about 14%. I don't like to see a down market either, but I also am not going to panic when the market does what it has done for years. Fortunately, I believe that our clients are positioned well according to their personal situations.

The key to changing the overall direction for the markets is not a simple solution, but instead will involve the Fed carefully reducing its bond purchases and increasing interest rates slowly and in a way that is somewhat predictable for the markets, no more over-spending (I know, relatively speaking) in Washington, and some very basic reversals of certain policies to end energy dependence and get inflation under control and our supply issues addressed. It's not brain surgery; but it takes a commitment to pursuing a solution.

If you have questions on how the current economy is affecting your financial plan, or just want to have an annual review of your plan progress, let's set up a meeting this tax season. We're here to help guide you. ♦

Tax Season Hours & Resources

This tax season, we will continue to follow a hybrid approach to still provide you with the one-on-one client service that you expect from us.

- Office hours 8:00 am to 5:00 pm Monday through Friday.
- Accountants are accessible during extended hours via email, video and their direct phone lines.
- Electronic submission of tax documents is preferred, but you may drop off physical documents using the mail slots. If they are too large, please call and make arrangements during business hours.
- Reach out to your CPA to schedule a Zoom meeting to review your tax return and to address any other financial or business concerns you may have.

For more tax season resources including our tax return checklist, Tax Planning Guide, and extension forms, go to alloysilverstein.com/tax-season.



Alloy Silverstein honored nationally

For the fourth year in a row, Alloy Silverstein has been honored with the *ClearlyRated Best of Accounting™ Award* for superior service, based entirely on ratings provided by clients. Less than 1% of CPA firms in the U.S. and Canada receive this distinction.

The firm received satisfaction scores of either 9 or 10 out of 10 from 96.5% of clients, significantly higher than the industry's average of 53%. On average, clients of winning firms are 60% more likely to be completely satisfied.

Alloy Silverstein's team members are honored to receive this national recognition and, whether in-person or virtually, remain committed to prioritizing client service above all else.

Forbes released the 2022 *America's Best Tax and Accounting Firms* and Alloy Silverstein is proud to make the list for the third year in a row.

Out of all 223 firms, only five are from New Jersey and Alloy Silverstein is the only CPA firm included to be headquartered in South Jersey.





What the IRS is up to

Mileage rates increase

Mileage rates for business travel are set for 2022. The standard mileage rates for the use of a car (also vans, pickups or panel trucks) are:

- 58.5 cents per mile driven for business use, up 2.5 cents from 2021,
- 18 cents per mile for medical, or moving purposes for qualified active duty members of the Armed Forces, up 2 cents from 2021, and
- 14 cents per mile driven for charitable work. This rate remains unchanged from 2021.

The IRS – Change your expectations

With historic backlogs and labor shortages due to COVID-19, the IRS is experiencing delays in some of its services including live phone support, paper returns filed, answering mail from taxpayers and reviewing tax returns. Filing earlier and electronically are two ways to avoid possible delays.

Look out for IRS Letters 6419 and 6475

Recipients of the 2021 advanced Child Tax Credit (CTC) monthly payments should have received IRS Letter 6419 which details the total amount of CTC payments received. A separate letter was sent to the taxpayer and to the spouse, with half of the advance payments shown on each letter. Taxpayers need this letter to file their 2021 tax return. Most eligible taxpayers received their full CTC but parents of children born in 2021 and families that added qualifying dependents in 2021 should claim a Recovery Rebate Tax Credit.

Like the advance CTC letter, a letter from the IRS was sent to recipients of the third Economic Impact Payment. Letter 6475 summarized any funds the taxpayer received for this stimulus and should be included with the tax return information. ♦

Upcoming **tax** deadlines

March 15

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

April 18

- Deadline to file individual, trust, gift and calendar-year C-Corporation returns.
- Deadline for making 2021 IRA contributions.
- First installment of 2022 individual estimated tax is due.

May 16

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

Tax Season Animal Shelter Drive



Stopping by our offices this tax season? Bring a donation! Now through March 30 we are collecting items for a local animal rescue. Items include: **Dog and cat food and treats (new and unopened), toys, leashes, cat litter, blankets, sheets, towels, paper towels, trash bags and cleaning supplies.**

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.