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# clientalert

**spring** 2023


## 4 ways to jumpstart your savings

While U.S. savings habits are improving, nearly 50% of Americans have no more than $500 in the event of an emergency. Amidst the talk of a recession, now is an optimal time to focus on ramping up your savings. Every little bit helps! Consider these four actions to jumpstart your savings and start building wealth.

**1. Create a budget.** Track your expenses for one month to discover how much you really spend. Be sure to track everything, including food, utilities, subscriptions, household items and debt payments. Take your total expenses and multiply it by six. This is the amount of money to aim for saving in your emergency fund.

**2. Make household debt the enemy.** If you're juggling credit card, vehicle and mortgage payments, your savings accounts may be starved. And without enough cash to cover emergencies, many people resort to credit cards and lines of credit to cover unforeseen expenses. So the debt cycle continues. With a budget in place, you can control your spending and see exactly how much debt you have to pay off.

**3. Review your income.** With your current level of income, calculate how long it will take to pay off all your debt, then build up your 6-month emergency fund. Depending on your financial goals, consider whether it makes sense to start a side gig, or continue upgrading your current skillset, to further increase your income.

**4. Start small and automate.** Now that you have a budget and a better view of your financial picture, it's time to pay yourself first. You are your most important monthly bill. Set up a feasible recurring deposit into a savings account, no matter how small. If your employer offers a tax-deferred retirement plan, the power of time and compound interest can help your account grow in the long term, even if you start with a small contribution from each paycheck. ♦

## Skip the stress: 6 tips for a smooth tax season

Tax season is well underway. Here are ways to make sure that your tax return is prepared and filed as quickly (and accurately!) as possible.

**1. Keep documents in one place.** Missing tax forms are one of the biggest reasons that filing a return gets delayed. Especially if you receive statements via both physical mail and e-mail, it's even more important that you store everything in a single location.

**2. Organize documents by type.** Streamline the process by sorting documents in tax return order. Use last year's tax return as a guide, which may include income, business and rental information, income adjustments, itemized deductions, tax credits, and miscellaneous.

**3. Don't procrastinate.** Another frequent hold-up is incorrect and missing forms. Early on, double-check all documents for correct names, birthdates, and Social Security numbers so you have time to obtain corrected or missing forms.

**4. Create a list of special events from the previous year.** Employees know to expect a Form W-2 each year, while the self-employed are used to receiving Form 1099s. But certain tax documents you won't see every tax season. Selling a home, getting married (or divorced), and sending a kid to college aren't typically annual events for most taxpayers. Look back and make note of special 2022 life events, as some may affect your taxes.

**5. Go electronic.** The IRS has struggled recently to process paper-filed returns, delaying more than 20 million tax returns in 2021. Filing electronically avoids the possibility that the IRS will misplace your return. For a quicker and safer refund, opt for direct deposit over a paper check. Refunds are typically received within three weeks when e-filing.

**6. Don't forget to sign!** Hard copy returns must have your signature (and your spouse's, if married) and date or else the processing of your return (and refund!) could be delayed by several months. If e-filing, don't forget to sign Form 8879, which authorizes the e-filing of your return.

These are some of the more common reasons why the preparation and filing of your tax return get delayed. Be prepared and file your return this year without a hitch. ♦

## Four questions to address on your paycheck withholding

*by Anne D'Amico, CPA, PFS*

If you are ahead of the game for 2022 and your tax returns are complete and ready to be filed, you may be caught off guard with a lower refund or an unexpected balance due. If you are unhappy with the results, now is the time to make changes for the upcoming year.

1. **Was your refund or balance due what you expected?** In prior years, you may have received pandemic-related benefits that disappeared in 2022 so you may be unpleasantly surprised this year. Check the federal and state withholdings on your paychecks. If you need to increase your withholdings for 2023, complete a new Form W-4.
2. **Do you need estimated payments?** If your tax return shows a large balance due, consider increasing your withholdings or paying quarterly estimated payments for 2023. The goal is to have enough tax paid during the year to avoid an underpayment penalty. A significant balance due on your return could be the result of under-withholding on your paycheck or perhaps you received significant unearned income such as interest, dividends, capital gains, rental income, income from partnerships, etc.
3. **Did you experience a major life event?** A marriage, divorce, birth, adoption, retirement, inheritance, promotion, new job, second job, etc. can impact your tax liability, and withholding needs to be addressed accordingly.
4. **Do you want to prioritize funding a retirement plan?** The IRS increased annual contribution limits in 2023. To reap these benefits, start contributing more now at the beginning of the year so you won't have to play catch-up at the end of the year. Small, systematic payments to a retirement plan help with cash flow.

In a perfect tax world, you would break-even when you file your tax returns – a small balance due or a small refund. For assistance, the IRS has an online Tax Withholding Estimator, but you should also check in with your CPA. ♦

**tax** alert

# Have gambling winnings? You can bet on a tax season shake-up

*by Chris Cicalese, CPA, MSTFP*

No one likes rolling the dice when it comes to the IRS. Come tax time, taxpayers are often surprised when a lucky payday becomes a tax return headache. Here are some tips so a fun activity doesn't add up to tax trouble.

### Taxation of gambling income

All income is taxable and that includes gambling winnings of any amount (see chart).

The winnings may be cash, but would also include the fair market value (FMV) of prizes such as a car, boat, house, or vacation package. When you win, the payer is required to give you a Form W-2G. Online betting sites may issue a Form 1099-MISC, or if you receive your winnings through third-party payment apps such as PayPal, Venmo, or CashApp, you may receive a Form 1099-K. Receipt of these forms should be your clear signal that you've been dealt a taxable event.

**Gambling income is winnings from:**

- slot machines
- table gambling (e.g. cards, roulette)
- mobile gambling
- sports betting
- fantasy league winnings
- horse racing
- bingo
- game shows
- raffles
- lottery or sweepstakes prizes

### All in: How the tax works

Thresholds that will automatically trigger reporting of your winnings to the IRS are:

- $1,200 on slot machines or bingo
- $5,000 on poker tournaments, lotteries, and sweepstakes (reduced by the wager or buy-in)
- $600 on sports betting and other gambling wins (if at least 300 times the amount of the wager)

Unlike a business, gambling winnings are reported on one part of your tax return while any offsetting gambling losses are reported as a miscellaneous itemized deduction:

- Your income is increased by the amounts listed on W-2Gs and any other winnings you received.
- If you **do not** itemize, you **cannot** deduct any gambling losses during the year.
- If you do itemize, you must be able to substantiate losses with an accurate diary, receipts, tickets, entry fees, wager statements, and other records.
- You cannot deduct more in losses than winnings.

### Tips to minimize the tax time surprise

- Accurate and thorough records are a must.
- Plan to withhold from some winnings to pay federal and state tax obligations. Most winnings reported on a W-2G will withhold at a flat rate of 24%.
- If you anticipate a large sum of winnings in a given year, consider making quarterly estimated tax payments.
- To offset losses against winnings, losses can be cumulative and do not need to match winnings for time and date (e.g. a year's worth of bingo losses can be offset against one major win), as long as you have precise records.

- Use the casino as a resource. Join their player's club for access to a YTD activity statement. Casinos can also help you understand and record costs and losses.
- Business tax rules apply if you are a professional gambler. This is tough to defend with the IRS, so make sure you are working with a knowledgeable CPA.♦

# finance alert

# SECURE Act 2.0: An overview

In the final days of 2022, Congress passed the SECURE Act 2.0, a follow-up to 2019's SECURE Act, as a new set of retirement rules designed to facilitate contribution to retirement plans and access to those funds earmarked for retirement. Here are some major highlights.

## New Distribution Rules

**Required minimum distribution (RMD) age rises to 73 in 2023.** One of the most critical changes was increasing the age at which owners of retirement accounts must begin taking RMDs. Starting in 2033, RMDs may begin at age 75. If you have already turned 72, you must continue taking distributions. If you are turning 72 this year and have already scheduled your withdrawal, consult with your financial advisor.

**Access to funds.** 2024 onward, plan participants can use retirement funds in an emergency without penalty or fees. For example, an employee can take up to $1,000 from a retirement account for personal or family emergencies.

**Reduced penalty.** Starting in 2023, the penalty tax for missing an RMD drops to 25% from 50%. If you promptly fix the mistake, the penalty may drop to 10%.

## New Accumulation Rules

**Catch-up contributions.** As of 2025, investors aged 60-63 years can make annual catch-up contributions of up to $10,000 to workplace retirement plans. The catch-up for those 50 and older in 2023 is $7,500. Stipulations apply to individuals earning more than $145,000.

**Automatic enrollment.** In 2025, the Act requires employers to automatically enroll employees into workplace plans. However, employees can choose to opt-out.

**Student loan matching.** In 2024, companies can match employee student loan payments with retirement contributions, offering workers an extra incentive to save for retirement while paying off student loans.

## Revised Roth Rules

**529 to a Roth.** As of 2024, pending certain conditions, employers can roll a 529 education savings plan into a Roth IRA. Therefore, if your child receives a scholarship, goes to a less expensive school, or does not go to school, the money can get repositioned into a retirement account. However, rollovers are subject to the annual Roth IRA contribution limit. Roth IRA distributions must meet a five-year holding requirement and occur after age 59½ to qualify for the tax-free and penalty-free withdrawal of earnings. Tax-free and penalty-free withdrawals are also allowed in certain circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

**SIMPLE and SEP.** 2023 onward, employers can make Roth contributions to SIMPLE plans or simplified employee pensions (SEP).

**Roth 401(k)s and Roth 403(b)s.** The rules for Roth 401(k)s and Roth 403(b)s are now aligned with Roth IRA rules. From 2024, the legislation no longer requires minimum distributions from Roth accounts in employer retirement plans.

## More Highlights

**Support for small businesses (<50 employees).** The new law increases the credit to help with the administrative costs of setting up a retirement plan to 100% from 50%.

**Qualified charitable donations (QCDs).** QCDs will now adjust for inflation. The limit applies on an individual basis; therefore, for a married couple, each person who is 70½ years and older can make a QCD as long as it remains under the limit.

While this is a broad, big-picture look at the change in retirement rules, consult with your financial advisor to see if and how your individual strategy is impacted. ♦


## Keep your company's bookkeeping in check

*by Janine Kiriluk, Director of Small Business Services*

According to the Small Business Administration, 28 percent of companies go bankrupt due to problems with the financial structure of the company. However, many of the problems could have been avoided by establishing good accounting practices.

The biggest practice that can save your business is to record everything, as every single expense counts. In addition, keeping records well organized will be vital to keeping your company financially healthy and helping you make more informed business decisions.

The following is a checklist to help keep your small business's accounting and bookkeeping in check throughout the year. If you don't feel like you have enough time to dedicate to your bookkeeping, see if Alloy Silverstein's Small Business Services division has a solution for you.♦

### Bookkeeping Checklist

**Daily Tasks**
- Check account balances
- File digital receipts
- Log business mileage
- Invoice clients
- Review financial mail and bills

**Weekly Tasks**
- Log and categorize payments and expenses
- Deposit checks or cash
- Update invoice and inventory tracking
- Send invoice reminders

**Monthly Tasks**
- Reconcile accounts
- Run and review monthly Profit & Loss report; Compare to previous month
- Review business budget

**Quarterly Tasks**
- Run and review quarterly Profit & Loss report; Compare to last quarter
- Make estimated tax payments
- Review vendor 1099s
- Check in on financial goals

# alloy happenings

- ***Ren Cicalese, CPA, PFS, CGMA***
  -Named to the ROI Influencers: Power List 2023 for Accounting by ROI-NJ.
- ***Ren Cicalese III, CPA, MST***
  -Presented "Last Minute Moves: Tax-Savvy Strategies for Businesses and Individuals at Year-End" as an Alloy Academy webinar, December 15.
- ***Julie Strohlein, CPA***
  ***Chris Cicalese, CPA, MSTFP***
  -Presented "Acing 1099 Compliance: Best practices to meet 1099 requirements and deadlines" as an Alloy Academy webinar, December 20.
- ***Chris Cicalese, CPA, MSTFP***
  -Published on *The Hustle* in the article "Why athletes (and some remote workers) owe a 'jock tax' wherever they go," January 28.
- ***Kelly Raso, CPA***
  -Presented on CPA Career Awareness to students at Camden County Technical Schools, December 14.
- ***Janine Kiriluk***
  -Presented "Year-End Bookkeeping Tips" as an Alloy Academy Webinar, December 7.

## Welcome

- ***Chaula Patel***, to the Small Business Services bookkeeping team.
- ***Neil P. Schoenfeldt***, a recent graduate of Stockton University, to the Small Business Services bookkeeping team.

## Congratulations

- ***Sue Schliminger,*** celebrating her thirtieth anniversary with the firm.
- ***Helena Haberle***, celebrating her tenth anniversary with the firm.
- ***Heather Zoll***, celebrating her fifth anniversary with the firm.
- ***Sean Brislin,*** for successfully completing the CPA exam.

**Follow along with our new informative videos this tax season on our YouTube channel (youtube.com/@alloysilverstein) or our social media pages.**

# Alloy Spotlight

**Cheryl Valdez, Receptionist at Alloy's Cherry Hill office.**

This quarter our spotlight is on a friendly face and voice you may be familiar with: ***Cheryl Valdez,*** Alloy Silverstein's receptionist.

Cheryl joined the Alloy Silverstein team in 2017 and recently celebrated her fifth anniversary with the firm. From the minute clients and guests walk into the Cherry Hill office, she is their first impression and helps everyone feel welcome and valued. In addition to greeting and helping clients, Cheryl aids the support staff team and partners with various administrative tasks. She makes sure our phones are always answered, that client documents are securely delivered to the appropriate person, and she keeps track of everyone's calendar and daily schedule.

"Let's face it….There's nothing fun about taxes!," Cheryl admits. "If I can make that a little less painful and put a smile on a client's face and make them feel like they are our favorite customer, then I have done my job and that gives me great satisfaction!"

A graduate of United Wesleyan College with an A.S. Degree in Sacred Music and Secretarial Science, Cheryl had several years of experience in the home healthcare industry and administrative support prior to joining Alloy Silverstein.

While Cheryl grew up in South Jersey and currently resides in Cherry Hill, she has also called Chicago, Colorado, and Kansas home over the years. Cheryl is very involved in her local church and, in her spare time, enjoys reading, hiking, traveling, and shopping. Above all, she loves to spend time with her greatest joy – her family, which includes three children, three grandchildren, and a granddog. ♦

**Thank you to our Adopt A Family Volunteers!**

*Our 9th year of Adopt A Family wrapped in December, and we cannot thank our generous adopters and team members enough! 65 families were adopted, benefitting 152 children in need at Center for Family Services, Catholic Partnership Schools, and Hammonton Family Success Center. Thank you for helping our program grow each year and continuing to make a difference for children during the holiday season.*


**Another year of 'Go Red'**

*Alloy Silverstein has a long history of supporting the American Heart Association and we continue to raise funds and awareness in 2023. So far, we have raised $3,125, which helps support educational programs to increase women's awareness and critical research about cardiovascular health.*

**Impact 100 South Jersey**

*Alloy Silverstein continues to support Impact 100 South Jersey, a women's collective-giving organization that raises funds for South Jersey charities and non-profits. Seven employees are members:* ***Angela Venti, Lindsey Cowperthwait, Anne D'Amico, Adrienne Dell'Olio, Kelly Raso, Kim Sheehan,*** *and* ***Julie Strohlein.***

# something 2 consider

## Should I reconsider my retirement minimum?

*by Ronald V. Donato, Jr., CFP®, MBA*

Recently the rules for taking required minimum distributions from retirement accounts changed. There were several changes, but note that beginning in 2023, the age to start taking RMDs jumps from 72 to 73 and in 2033 it creeps up again to 75.

Remember, the current lower tax rates instituted in 2017 are set to increase after 2025 if no further action is taken. Therefore, depending on your own circumstances, it may be beneficial to utilize one or more of the following strategies. You should definitely consult with your accountant and your financial adviser before implementing any of these.

### Roth Conversions

If your income tax rate is not very high now, then a Roth conversion could be a good long-term strategy for your future tax-free income. Of course, you can do a Roth conversion at any age. If you can put money into a Roth option in your company retirement plan, then you may also want to consider doing that.

### QCD's can be your friend

QCDs can be made starting at age 70 ½, while RMDs don't start until 73 now. In practical application, this means that if you already make qualified charitable contributions then making them tax free from your IRA can reduce the amount of taxable distributions you will need to make from the IRA in the future. The annual QCD limit is $100,000 per person, not per IRA. There are also other rules regarding QCD's to discuss with your tax adviser.

### It's only the minimum requirement

The current relatively low tax rate environment may make it advantageous to begin taking distributions from your retirement account now. After 59 ½ you may take funds from your retirement account with no penalty, only income tax payments. Discuss with your tax advisers how much you can take and be at the lowest tax rates.

### Inherited IRA's have their own 10-year rules

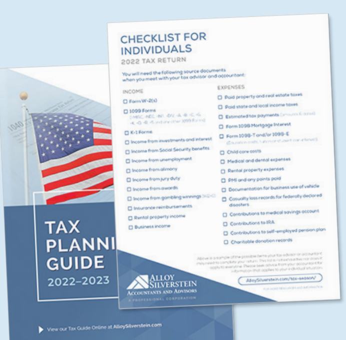
Most beneficiaries will have to fully withdraw inherited funds within 10 years after death, and now under the new interpretation by the IRS the distributions must begin to be taken each year starting in 2023. With these short windows, more retirement assets will be bunched into a higher tax bracket, leaving most non-spouse heirs with less. Many of these heirs may themselves be in their high earning years when they inherit. Note also that inheriting a Roth IRA has the same timing rules, but there are no taxes on the distributions!

### Summary

- If you can get some retirement funds out at the low 2023, 2024 and 2025 rates, then that may be beneficial;
- Distributions via Roth Conversion may also be beneficial in this lower tax environment;
- If you contribute to a qualified charity, then after the age of 70 ½ you may do that directly from your IRA with 0% taxes; and
- Given the 10-year rule for inherited IRA's any of the aforementioned strategies may enable you to leave more tax-free funds to your heirs.

These strategies may not be for everyone, but it is worthwhile to explore them with your tax consultant. ♦

### Its tax time! Here's what you need to know as you prepare to work with your Alloy Silverstein CPA this tax season.




- Now through April 18, office hours are 8:00am–6:00pm for Monday through Thursday and 8:00am–5:00pm on Fridays.
- Accountants are available by email, direct line, and Zoom after hours.
- Electronic submission of documents is preferred, but you may drop off items or utilize the mail slots at the Cherry Hill or Hammonton office.
- For more tax season resources including our tax return checklist, Tax Planning Guide, and extension forms and more, go to ***alloysilverstein.com/tax-season.***

## Alloy Silverstein Recognized for 5 Years of Best of Accounting™ Award Wins


***Celebrating proven excellence and unbeatable service***

Alloy Silverstein is honored to be one of the 1% of CPA firms in the U.S. and Canada to achieve *ClearlyRated's* 2023 Best of Accounting® Award for superior client service, the nation's only service excellence award for the accounting industry that leverages third-party survey responses from CPA firm clients.

Of this elite group, just 27% of the 2023 Best of Accounting winners earned the Diamond award distinction. Diamond award winners have won the Best of Accounting award for at least five years in a row, consistently earning industry-leading satisfaction scores from their clients.

"The highest compliment we can receive is on the Alloy Silverstein client service experience, and we are beyond honored to celebrate earning the Best of Accounting Diamond Award for five years of client service excellence," says Managing Shareholder Ren Cicalese, CPA ,PFS, CGMA. "The high standards set by Marvin Alloy and Ray Silverstein 64 years ago, and guaranteed by our staff today, are the hallmark of who we are as a firm. We want to thank *ClearlyRated* for the honorable distinction, our clients for their unwavering support, and our team members for never failing to treat our clients with respect."

Alloy Silverstein received satisfaction scores of 9 or 10 out of 10 from 91.1% of surveyed clients, significantly higher than the industry's average of 50% in 2022. We dedicate this award to our clients who put their trust in us year after year. It is our privilege to work with you!

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2019 - 2023 BEST of Accounting™ CLIENT SATISFACTION DIAMOND AWARD 5 YEARS

# What the IRS is up to

## Virtual Currency Reporting Now Covers NFTs

The 2022 Form 1040 has a new mandatory question for all taxpayers: At any time during 2022, did you: (a) receive (as a reward, award or payment for property or services); or (b) sell, exchange, gift or otherwise dispose of a digital asset (or a financial interest in a digital asset)? The term "digital assets" has replaced "virtual currencies," a term used in previous years. Common digital assets include: (1) Convertible virtual currency and cryptocurrency, (2) Stablecoins, and (3) Non-fungible tokens (NFTs). The question must be answered by all taxpayers, not just those who engaged in a transaction involving digital assets.

## New Minimum Age for RMDs

As part of the SECURE Act 2.0, the age for required minimum distributions (RMD) increases to age 73 as of 2023. Speak with your financial professional on how this impacts your financial planning.

## IRS Postpones the $600 Threshold for 1099-K Forms

In 2021, it was announced that the 1099-K reporting threshold for third-party digital payments would be lowered to $600 for 2022. In late December, the IRS postponed this new lower threshold to now only impact payments made and received *after* 2022. For tax year 2022, the 1099-K filing requirement is the prior threshold of over 200 transactions and $20,000.

## 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 2022 IRA contributions.
- First installment of 2023 individual estimated tax is due.

**May 15**
- Deadline for calendar-year non-profit organizations to file annual reporting returns.

## 2023 Mileage Rate Update

For 2023, the standard business mileage rate increases by 3 cents to 65.5 cents per mile. The medical and moving mileage rates stay at 22 cents per mile. Charitable mileage rates remain unchanged at 14 cents per mile. These rates apply to electric and hybrid-electric automobiles, as well as gasoline and diesel-powered vehicles. Remember to properly document your mileage to receive full credit for your miles driven.

2023 mileage**rates**

**Standard Mileage Rates**

| Mileage | Rate/Mile |
|---|---|
| Business Travel | $65.5 |
| Medical/Moving | $0.22 |
| Charitable Work | $0.14 |

*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.*