



## 6 Questions to Answer in a Mid-Year Payroll Check-Up

Halftime in sports is a time to pause, regroup, and consider how the team can improve. Likewise, a middle of the year review of your payroll and HR processes can be equally beneficial.

As an employer, invest time this summer in an internal audit of your records and procedures which will allow you to correct any weaknesses before the end of the year.

- **Are your employees and contractors correctly classified?** Misclassification is an expensive mistake. State agencies are cracking down looking for infractions. Make sure you have proper documentation to back up your classifications.
- **Is all overtime reported and paid?** Review your timekeeping system and records for accuracy. This includes employee bonuses, commissions, and comp time. Look for new methods to improve timekeeping.
- **Is your employee handbook up to date?** The summer is the perfect time to review your employee handbook to ensure compliance with updated labor laws or company policies.
- **Are wages and deductions accurate?** Employees often update their withholding after tax season. In addition, take note of any minimum wage laws and make sure you are addressing them accordingly.
- **Are you happy with your workers' comp plan?** If cash flow is a concern, consider a pay-as-you-go (PAYG) policy.
- **Are you following proper record retention protocol?** Under FLSA, you should maintain payroll records for at least three years and documents used to compute wages for at least two years. Form I9 retention is also important.

Answering these questions can help put your organization in a winning position for the second half of the year. If you need payroll, timekeeping, or workforce management assistance, contact us at Abacus Payroll. ♦

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# clientalert

summer 2023

## Summer Vacation Plans? Tips to Stay on Budget Before Traveling

2023 will be a summer of traveling for many. After years of pandemic-related restrictions and cancellations, Americans are looking forward to an overdue reprieve this summer—and deservedly so.

Even for diligent planners, vacation expenses add up quickly. Whether you are splurging or traveling on a budget, here are some money-conscious tips to help avoid overspending.

**1) Budget.** Determine ahead of time how much you can afford to spend. Minimize financial surprises by accounting for all incidentals that may creep up, including airport transportation, baggage fees, resort fees, gratuities, parking, trip insurance, wi-fi charges, cleaning fees, pet sitters, etc.

**2) Redeem rewards.** If your credit card has a reward program, take advantage of earned points. Explore if you can cash them in towards flights, a rental car, gift cards, or other travel expenses.

**3) Research for deals.** There are many websites, forums, travel agents, and bloggers who share cost-saving opportunities that can range from discounted theme park tickets and meal deals, to excursions, packaged entertainment deals and more, depending on your destination and vacation type.

**4) Plan to cook.** If your accommodations include a kitchen or kitchenette, pickup or have groceries delivered and plan to eat in for a few meals. Dining out for every meal of every day will eat up much of a vacation budget.



**5) Opt-in to notifications.** By researching and planning ahead, you can subscribe to email lists and utilize online resources that allow you to receive notifications of deals, flash sales, or price drops for airfare, lodging, event tickets, and other pre-planned expenses.

**6) Flexible dates.** If there's flexibility in your schedule, airfare and hotel rooms typically cost less for mid-week dates compared to weekend dates. For some airlines, even the day of the week you book your airfare could make a price difference. If the summer months are peak travel time for your destination, consider an off-season date when prices are lower and crowds are smaller. By choosing days just before or just after the busy season, you will often find cheaper rates without much difference in the climate.

It's all about balance. You can still splurge in some key areas while spending wisely in others. With a little creativity, a bit of flexibility, and some advanced planning, you can stretch your vacation budget further and make the most of your memorable summer getaway without overspending. ♦

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## Understanding Gift Tax

### The IRS Gift-Giving Rule

You may give up to \$17,000 to any individual (donee) within the calendar year 2023 without filing a gift tax return. If married, you and your spouse may transfer up to \$34,000 per donee. If you provide a gift to your spouse who is not a U.S. citizen, the 2023 annual exclusion amount is \$175,000.

### Gift Tax Reporting

Amounts in excess of the annual limit are subject to gift tax reporting on Form 709. Form 709 is an information return that tells the IRS you gifted more than the annual exclusion amount to a recipient. These gifts reduce your lifetime unified credit (\$12.92 million for 2023). After you exhaust your lifetime exclusion, you may begin to owe gift taxes.

### Common "Gifting" Dilemmas

Here are some special gift tax situations and ways to manage the problems:

- **Gifts for college.** Some grandparents like to help out with the tremendous expense of funding a college degree, and amounts donated can quickly surpass the annual gift threshold. To avoid the gift tax problem consider making payments directly to the college as this form of payment can be excluded from the annual gift-giving limit as long as the funds are not used to pay for books, room or board on behalf of the donee.
- **529 plan funding.** Many parents open a 529 plan in anticipation of their children attending college in the future. Some states even offer tax incentives for 529 plan contributors. Anyone is welcome to then fund the savings plan on behalf of the child. However, deposits into 529 accounts are considered a gift and are subject to the annual gift-giving limits. Special 529 rules allow you to make a lump sum contribution of up to five times the annual gift tax exclusion and spread it out over five years. For 2023, single taxpayers can contribute \$85,000 tax-free to a 529 plan and joint taxpayers may fund \$170,000. This may affect your ability to make additional gifts to these individuals, so it is important to consult with your tax advisor first.
- **Help cover medical expenses.** While you may want to help a loved one alleviate a large medical bill, giving them cash could trigger a gift tax obligation. Instead, make payments directly to health care providers for medical services on behalf of the patient to avoid gift tax exposure.

• **Contribute to a down payment.** It is becoming more common to have family members help with the down payment on a first home, but this can be tricky. Lenders will examine bank account deposits and ask prospective buyers to substantiate the source of funds. Providing the funds as a loan may disqualify the couple from taking on the mortgage. If the purchasing couple claims the funds are a gift, this action may create a gift tax obligation. Care must be taken to provide the correct audit trail to prove the gift does not exceed the annual amounts.

• **Gifting real estate.** Giving property to a relative for little or nothing in return generates the need to file a gift tax form. Recent IRS studies suggest over 50% of taxpayers fail to declare property transfers as gifts.

### Other Considerations

- **You may provide gifts to or receive gifts from ANYONE.** There are no limits or restrictions on who you may give a gift to or who may provide a gift to you. Creative gift-giving can be a useful tool to help someone in need without creating a tax obligation.
- **Avoid giving a lump sum gift for the maximum amount.** If you provide a gift for the maximum allowable to an individual, you technically may not provide any other gifts to this person during the year or that event would be deemed excess gift giving and require filing a gift tax return.
- **Consult with a CPA.** The IRS is paying attention to non-compliance in filing gift tax returns. So much so, that the agency is actively researching property transfers in key states to ensure gift tax filing is taking place. In addition, giving away money or property can affect your eligibility for Medicaid so there is much to consider when making gifts. Turn to your tax advisor for guidance on gifting, and careful estate and tax planning strategies. ♦



## Safeguarding Your Business's Cash with Segregation of Duties

Pop quiz: Is fraud and embezzlement more common in small or large businesses? Unfortunately for small businesses, since they often lack the internal controls that are typically in place at larger organizations, they are more likely to be victims of employee-related fraud.

The best defense for a small business is to implement a segregation of duties framework. By segregating duties, you have one person responsible for each of three different key areas: Authorization of cash expenditures, physical custody of cash, and reconciliation of cash expenditures.

### Segregate cash disbursements.

Only a designated, trusted manager should sign checks, authorize electronic payments, or perform fund transfers. This control has a dual purpose: management sees how the company is spending its money, and the cash disbursement function is kept separate from bookkeeping and accounting. The opportunity to embezzle is much higher if the same person signs checks, authorizes electronic transactions, and enters disbursement transactions in the accounting records.

### Segregate control of cash.

Have an owner or manager occasionally spot check incoming electronic transactions and tie them to the company bank account. If you receive physical checks, have an owner or manager 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, or prepare a daily reconciliation of all transactions.

### Segregate reconciliations.

For companies with limited resources, a periodic review of bank reconciliations by someone outside of accounting can provide a mitigating control. Non-accounting personnel performing these reviews will need to be trained. They'll need to understand the risks involved and the types of unusual or unsupported transactions needing further investigation. Cross-training staff also helps to ensure continuity of operations when accounting employees take vacations or leave the company. Or better yet, bring in an outside accounting expert to conduct periodic audits of key functions.

Executing these tips helps keep better track of cash and can thwart theft before it happens. ♦



# The Tax Responsibilities of Online Selling

While modern technology has enabled a rise in self-employed business owners, the pandemic's impact on e-commerce growth has led to an all-time high of online micro-businesses and sellers. Everything from selling on *Amazon* and *Etsy*, or reselling on *eBay*, *StubHub*, and *Poshmark*, has helped entrepreneurs open profitable businesses or side hustles.

Just because your small business does not have a physical storefront, does not mean you can skip the tax responsibilities for selling online. Starting an e-commerce business is a big leap, but here's how to make sure you are up and running correctly.

## Hobby vs. Business

Knowing the differences between what the IRS classifies as a hobby or a business is important since, if a business, you can claim deductions for your expenses. Factors the IRS looks at include:

- Are you investing significant time and effort?
- Are you making a consistent profit?
- Is making money your main goal?
- Do you have many (paying) customers?
- Do you have a professional website and business cards?
- Are you maintaining accurate books and records?

A full chart is available on our website, *AlloySilverstein.com*. Answering yes to these questions will likely deem your activity as a business. If operating full-time, consider applying for an EIN.

## Federal, State, and Self-Employment Taxes

If you are used to being an employee who receives a Form W-2 each year, this step is trickier. You now receive 1099s and must manually put aside a percentage of your business income for taxes. Income taxes are paid at the federal and state level and the IRS will expect quarterly estimates in April, June, September, and January. Self-employment taxes account for Social Security and Medicare.

Beginning in 2023, the new threshold for payment vendors, such as Paypal and Venmo, to distribute a Form 1099-K to taxpayers is \$600 in digital transactions.

## Online Sales Tax

Since 2018, economic nexus has enabled states to tax businesses with a physical or virtual connection to a state. Requirements vary from state to state, so this will depend on where you are selling, where your inventory is located, and where the buyer is located. Only five states do not impose any sales tax: Alaska, Delaware, Montana, New Hampshire, and Oregon.

Fortunately, accounting software and sales tax apps can help simplify the tracking of your sales tax requirements. You still must know which states you are conducting business in and what their sales tax rate is. Most states require businesses to register ahead of time for a permit. Do not forget to then remit any sales tax collected to the proper state tax authorities.

## Deductible Expenses

Hold on to your receipts as the following business expenses could potentially be deductible and help offset your income:

- Cost of goods sold
- Shipping fees and supplies
- Vendor and software fees
- Mileage
- Home office costs
- Advertising and promotional materials
- Donations of damaged goods
- Consultant fees (accountant, lawyer, website designer, etc.)

## Staying Organized with E-Commerce

No matter how small or big your online business is, there is a responsibility to file federal and local taxes on earned income. Implementing these tips throughout the year will help make for a smooth tax season.

- Designate a set folder (physical or digital) to store all relevant files, receipts, tax forms, contracts, backup, etc.
- Prioritize your bookkeeping and make it part of your daily workflow.
- Mark up a calendar for all tax deadlines, including sales tax and quarterly estimate deadlines.
- Integrate and automate when possible. ♦

## Streamline Your Online Selling with These App Recommendations

If you are ready to go full steam ahead with your e-commerce business, it is wise to invest the time in the beginning to set up the structure of your business for success. Your software eco-system or "tech stack" can help you stay sane and organized for tax season.

Here are four areas to streamline, alongside some app and software recommendations from our accountants and advisors.

1) Accounting software that allows collaboration, real-time updates, and typically integrates with other apps and software.

- *Xero*
- *QuickBooks Online*

2) An app to serve as your back-office file room to help you stay organized with filing expenses and paying bills.

- *Bill*
- *Dext*

3) A Point-of-Sale (POS) platform to be a storefront, manage inventory, and accept sales and payments from customers. For optimal efficiency, your POS should integrate with your accounting software.

- *A2X*
- *WooCommerce*
- *Shopify*
- *Square*
- *Vend*

4) Monitoring online sales tax for 50 states gets complicated quickly. These options help manage compliance.

- *TaxJar*
- *Taxify*
- *Avalara*

## alloy happenings

### ■ **Chris Cicalese, CPA, MSTFP**

-Featured on the NJCPA Focus Blog with the article “4 Ways to Avoid Peer Review Problems,” March 7.  
-Participated in the NJCPA and News 12 New Jersey’s annual Ask-a-CPA live tax tip line event, March 30.

### ■ **Julie Strohlein, CPA**

-Featured in “Tax filing dos and don’ts from Philadelphia-area accountants” in the Philadelphia Business Journal, February 24.  
-Served as a panelist for “How to Start and Scale Up Your Business: An Entrepreneurship Event” hosted by Gloucester County Chamber of Commerce and Rowan College of South Jersey, March 29.

### ■ **Ren Cicalese III, CPA, MST**

-Featured in ROI-NJ’s “Ready, Set, Grow: Cannabis Q&A”, a resource guide for the cannabis industry in New Jersey, March 20.

### ■ **Janine Kiriluk**

-Chaired and emceed another successful Voice of Business Awards ceremony for the Burlington County Regional Chamber of Commerce, April 29.

### ■ **Angela Venti**

-Reappointed Vice President of South Jersey Women in Business and President of Businesses Committed to South Jersey (BCSJ).

### ■ **Angela Venti** **Lindsey Cowperthwait**

-Attended the Wine, Women, and Shoes fundraising event benefiting the Ronald McDonald House of SNJ, May 4.

## Welcome

- **Gautam Bhimani**, a junior accountant and recent graduate of Rowan University and Texas Tech University.

## Happy Anniversary

- **Angela Venti**, celebrating her fifth anniversary with the firm.

## Alloy Spotlight



This quarter our Alloy Spotlight is on **Heather Zoll**, an accountant at The Alloy Silverstein Group.

After receiving her bachelor’s degree in Accounting from Rutgers University, Heather joined Alloy Silverstein for the first time in 1997, where she worked until the birth of her first child in 2000. Heather then rejoined the Alloy team in 2018. As a senior accountant at the firm, she mainly works with clients for their personal and business tax needs, as she enjoys finding ways to save clients’ money through tax credits, deductions, and careful tax planning.

Due to her tax background and experience, Heather has achieved Enrolled Agent status, the highest credential awarded by the IRS, which allows her to represent taxpayers with unlimited practice rights. Internally at the firm, Heather is a member of the Tax Committee, which keeps other firm members abreast of the latest individual and business tax updates.

“Everybody here is like family to me, since I started here young and now my kids are all grown up,” Heather says about her long history with the firm. She also looks forward to working alongside the helpful management team at Alloy each day, as she has learned a lot from them.

A Maple Shade, NJ resident, Heather lives with her husband, Mike (DiFilippo), and two sons, Owen and Mikey. Her daughter Calista is a recent graduate from Rowan University. As tax season ends, Heather’s husband’s lawn care and landscaping business begins its own busy season, so she spends her free time treasure hunting at antique shops and flea markets, along with finding the perfect local walking trails to enjoy nature and the outdoors. Heather has three cats—Binx, Bayley, and Brahms—and feels fortunate to have a remote work schedule so she can be flexible enough to visit family and the beach this summer, as well as see the band The Hooters on their upcoming summer tour. ♦



### Bring Your Kids to Work Day

Alloy Silverstein welcomed a few special guests in the Cherry Hill office on April 27th! For Take Our Daughters and Sons to Work Day, our young team members learned about accounting, payroll, money, teamwork, and giving back to the community with a canned food drive project that benefited the Cherry Hill Food Pantry.



### Team Alloy Pro-Golf Update

Join us in welcoming our newest Team Alloy professional golfer: Ana Paula Valdes, who is competing on the LPGA Epson Tour. The firm also has branding agreements with the following tour players for the 2023-2024 worldwide season:

- |                    |                       |
|--------------------|-----------------------|
| · Cameron Percy    | · Kiira Riihijarvi    |
| · Steve Allan      | · Marion Duvernay     |
| · Leslie Cloots    | · Amelia Garvey       |
| · Katherine Perry  | · Aneta Abrahamova    |
| · Karoline Vlckova | · Abby Arevalo        |
| · Michaela Finn    | · Pauline del Rosario |

### View Our Growing YouTube Library

Just press play! Throughout tax season, our CPAs and advisors have been filming and releasing helpful clips of tax news, advice, and tips. Follow along on social media or by subscribing to our YouTube Channel,  
[www.youtube.com/@alloysilverstein](https://www.youtube.com/@alloysilverstein), as we continue to add to it.



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

### Never Too Young or Old for Elder Abuse and Fraud

by Ronald V. Donato, Jr., CFP®, MBA

Recently our Managing Partner received a panicked phone call that one of his grandchildren had broken his nose in a car accident. The grandchild (whom the caller pretended to be) was supposedly driving. Money was needed for some reason. Once our Partner told the caller that it was curious that someone who just started tee-ball is driving, the caller hung up the phone.

This would be funny if it wasn't so successful at times.

There are several steps (this is not an exhaustive list) that you can and should take to help prevent the kind of emotional blackmail that these fraudsters use. Here are some suggestions:

**1) Name a trusted person in your family as a Trusted Contact** with the people who handle your money. If you do that then, if you call your financial advisor asking for an emergency distribution that sounds unusual, the advisor can call your Trusted Contact to get some confirmation.

**2) As difficult as it may be, take a deep breath and try to be logical.** Ask questions but don't give them information about yourself or your family. Is it strange that the caller would tell you not to call a relative, or not to question them? Step back and ask if it makes any sense.

**3) Read all you can about the many types of scams.** There are telephone, computer/e-mail, texting, snail mail, and many other delivery methods. If you are not sure with whom you are dealing, then (as they say on TV) call a friend to discuss. As one very popular scam, you may get an email from

someone whom you know, but if you really look closely at their email address, it is different from the one your friend may use. If that is the case, do not click on any links, etc. Call your friend to see if they really sent the email. If not, delete and block.

**4) Think twice about the payment logistics.** If you, unfortunately, get to the point where you are taking down information about where to wire your money (note: NEVER give your credit card information nor your bank information over the phone, unless you absolutely know with whom you are speaking), review the place to which the money is going, and ask yourself if it makes sense, for example, to send funds for someone in New Orleans to somewhere in South America.

**5) Never EVER grant a request that has come via email without actually calling the person to confirm their identity.** For example, if you get what appears to be a legitimate email and you can do an online search of the person or business, then do that to make sure the call-back number is legitimate for that person or company. If not sure, then do not respond.

**6) Call us at our offices!** We will be happy to help if possible.

Alloy Silverstein will endeavor to periodically remind everyone of these growing risks. If you take some precautions, then we can all continue to communicate safely. ♦

### Real Estate Tax Strategies: Cost Segregation and Energy Incentives

In partnership with Engineered Tax Services (ETS), Alloy Silverstein recently hosted two webinars that highlighted a couple of real estate tax strategies for building owners, developers, contractors, and more.

Presenter **Kim Lochridge**, Executive Vice President at ETS, has extensive experience in the practical application of tax codes as they relate to real estate and energy efficiency incentives. She is a frequent presenter and "big-league tax expert" for Fortune 500 companies, high-net-worth individuals, family offices, engineers, and CPAs nationwide, and is also a member of the Tax Committee for the Real Estate Roundtable in Washington D.C.

#### Cost Segregation

Typically, buildings are depreciated for tax purposes as a whole. A cost segregation study (CSS) is a tax strategy where elements and components of a commercial property are segregated into different categories and classes in order to accelerate depreciation for those different assets. This allows building owners and real estate investors to capture potentially significant tax savings. The presentation also discussed the tax implications of bonus depreciation and partial asset disposition. Ideal candidates for cost segregation include owners of commercial or investment property; leasehold improvements exceeding \$50,000; paying federal income tax; operating as a for-profit entity; and planning to hold the property for at least one more year.

#### Sections 179D and 45L

To incentivize energy-efficient construction and improvements, there are some key tax deductions and credits available. In short, 179D is a popular tax incentive that enables building owners and designers to claim a tax deduction for energy-efficient commercial building property including HVAC, building envelope, and interior lighting. 45L is a federal tax credit available for new construction or substantial energy-efficient upgrades in residential or multi-family properties. Last year's Inflation Reduction Act updated these tax incentives with new limits and restrictions.

Visit [AlloySilverstein.com/recordings](https://AlloySilverstein.com/recordings) to access the webinar recordings for a more in-depth look at these complex topics ♦

**Elder fraud is any scam that targets older adults and exploits them for monetary gain, such as financial fraud or identity theft. In 2018, \$184 million is estimated to be lost as a result of fraud scams targeting older adults.**

**Suspected fraud can be reported to the National Elder Fraud Hotline at 833-FRAUD-11.**





## What the IRS is up to

### New Tax Brackets and Standard Deduction

The IRS has released updates to the standard deduction and marginal tax rate income thresholds. The tax year 2023 adjustments described below generally apply to tax returns filed in 2024.

Taxpayer Status	Standard Deduction
Single and Married Filing Separately	\$13,850 (\$1,800 Increase)
Married Filing Jointly (MFJ)	\$27,700 (\$900 Increase)
Head of Household	\$20,800 (\$1,400 Increase)

Marginal Tax Rate	Single Income	MFJ Income
37%	\$578,125	\$693,750
35%	\$231,250	\$462,500
32%	\$182,100	\$364,200
24%	\$95,375	\$190,750
22%	\$44,725	\$89,450
12%	\$11,000	\$22,000
10%	< \$11,000	< \$22,000

### Warnings on ERC

New on the IRS's "Dirty Dozen" tax fraud list for 2023 was another warning to business owners to be wary of third-party promoters touting Employee Retention Credit (ERC) claims that seem too good to be true. The IRS is actively conducting audits and criminal investigations related to many of these false ERC claims. If you receive an ERC audit notice, alert your Alloy Silverstein CPA.

### IRS or Scammer?

The IRS reaches out to taxpayers in multiple ways as they enforce the nation's tax laws. Most contact is made through hard copy mail via the USPS. There are some instances when the IRS will call the taxpayer or show up unannounced to a home or business, usually only if multiple mailed notices go unanswered or if in the midst of an audit. Here is what the IRS will not do:

- Call to demand a taxpayer use a payment method such as prepaid debit card or gift card.
- Send social media or text messages.
- Demand that you pay taxes without opportunity to appeal or question the amount owed.
- Threaten to revoke a license or bring in the police, immigration, or other law enforcement.

## Upcoming tax deadlines

### June 15

- Second quarter 2023 individual estimated tax payments are due.

### August 1

- Due date for filing 2022 retirement or employee benefit plan returns (5500 series) for calendar year plans.

### September 15

- Third quarter 2023 individual estimated tax payments are due.  
- Extension deadline for 2022 S-Corporation and partnership returns.

### This Summer

- It never hurts to be proactive: Check in with your CPA and advisor for a tax and financial review and to go over your personal or professional goals.

## Follow us on social media



Stay up-to-date with the latest firm information and breaking tax and business news.

(We also appreciate reviews and recommendations!)

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