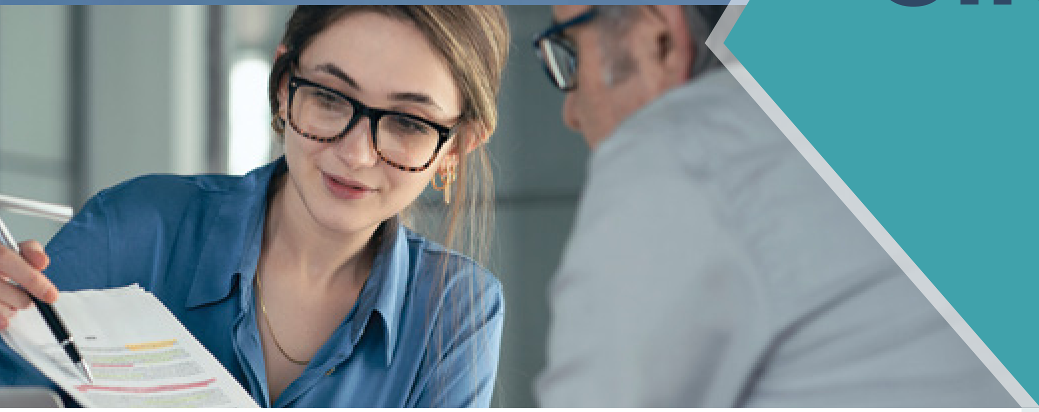
Alloy Silverstein
Accountants and Advisors

FALL 2023

client*alert*



Five Business Tax Planning Ideas for Fall

As summer comes to a close, fall is a great time to start looking at ways to cut your business's 2023 tax bill. Consider these ideas:

1. **Review employee benefits.** Benefit programs are often some of the largest expenses in small business. An annual review of health, dental, vision and retirement benefits can not only reduce expenses, but can also be a source of tax benefits for you and your employees.

2. **Plan equipment purchases.** You may be able to take advantage of tax savings if you purchase business equipment and place it in service before the end of the year. In 2023, you may be able to expense up to $1.16 million worth of purchases of qualified equipment. Given the long lead times on some equipment, now is a good time to start planning so the equipment can be up and running by December 31st.

3. **Review any changing tax legislation.** Every year brings change or suggested change to the tax landscape. Here are three of the biggest changes to consider:
   - New electric vehicle credit
   - New Form 1099-K reporting
   - New retirement plan benefit

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How to Prepare for Student Loan Repayments to Resume

Are you ready? Federal student loan interest has resumed as of September 1, 2023, and payments will be due starting in October. Congress recently passed a law preventing any further extensions of COVID-19 emergency relief funds. Here are some ways to help you prepare for the transition:

- Make sure your contact information is up to date.
- Clarify your payment due date, amount and upcoming interest.
- Review your personal budget to determine how much you can afford to pay each month.
- Assess your repayment plan to find the best fit for your budget.
- Consider the pros and cons of consolidating your loans.
- Reach out to the experts at Alloy to better understand your options.

BUSINESS Alert

The Power of Cash Flow Forecasts

All owners understand the #1 rule of business - don't run out of cash! But whether you're a seasoned business owner or new to the playing field, this is often easier said than done. One method of getting a better handle on your business's cash flow is by creating a cash flow forecast.

The basics

A cash flow forecast shows an estimate of the cash coming in and going out of your business over a defined timeframe. One of the more popular formats is a rolling 12-month forecast that allows a business to account for a full cycle of any seasonality in addition to large, single or periodic cash outlays.

- Identify cash bottlenecks
- Budget for future payments
- Prepare for low-revenue months
- Share with appropriate outside parties
- Appraise future projects and business plans

Building the forecast

A cash flow forecast starts with your income statement. Adjust the statement by pulling out non-cash items like depreciation to get operational cash. Next, track changes in cash inflows and outflows from your balance sheet accounts to get a cash balance for the period. Take the monthly cash change and see the cumulative effect over time.

Forecasting future periods allows you to easily see when your business will have excess cash and when you might be in a negative cash position long before it occurs! Please call if you'd like help creating a forecast for your business.

FINANCIAL Alert

The Financial Fundamentals of Rental Properties

From rent to revenue reporting and recordkeeping, the business and financial side of managing a rental property has many nuances to it. So, whether you are considering purchasing an investment property or transforming your home into a rental, let's break down a few key points to know on your path to passive income.

Why invest?

- Diversification of your financial portfolio
- Potential for long-term gain
- Method of financing your vacation home

How to get started

Deciding on the right financing to purchase your first rental property simply comes down to your real estate investing goals. Are you interested in generating positive monthly cash flow or long-term appreciation? You'll also want to consider a very important question—how will you manage the rental property? Some options include self-managing, using a property manager, or securing a rental broker/booking agent.

Learn more

Visit alloysilverstein.com/recordings to hear from our knowledgeable CPAs in the recent complimentary Alloy Academy webinar, "The Financial Fundamentals of Rental Properties." The recording covers:

- Acquiring property
- Financing options
- Management
- Reporting requirements
- Cash flow tips
- Tax compliance
- And more rental property fundamentals

Aspiring landlords and current investment property owners will learn insightful tips to set your rental property up for the best chance of success.

Where Do You Think You're Going?!

Establishing Residency in a New State

Suppose you retire to a new state with warm weather and lower taxes. If you keep a part-time home in your original state or you later decide to return, you could have a tax problem. State tax authorities may argue you never really left, and that you owe them a big tax bill for all the income you earned while away. Here are tips to ensure this does not happen to you.

Understand "domicile"

Tax residency is usually based on the concept of "domicile." You may have many homes, but you can only have one domicile. A domicile is the place you intend to be your permanent home, and where you intend to return after being away. When these cases go to court, they are often decided by determining a person's intentions regarding their domicile.

Consider this hypothetical example: New Jersey resident Steve Seeyoulater moved to an apartment to pursue a lucrative job opportunity in Richmond, leaving his wife and children behind in New Jersey. Steve reasoned that since he spent more than 70% of his time in Virginia, he could file his state return there and take advantage of its lower tax rate. The state of New Jersey could easily disagree with Steve's assumption, since on the surface Steve intends for his permanent home to remain where his family is, in New Jersey.

Know the rules before you move

Before moving, research the residency rules in your home and destination states. They often vary from state to state. Some states have specific guidelines on the number of days its residents must be in the state, while others are less exact.

Keep good records

If you say you are in a state for a certain period of time, be ready to support your claim. If during an audit your credit card receipts conflict with where you claimed to be at the time, you will have problems.

Demonstrate your intentions

If you're going to file as a resident of a new state but also have a potential tax claim in another state, you have to be able to demonstrate your sincere intent to change your domicile. Review our checklist below for some key steps you can take to prepare.

The last thing you want is a call from a state auditor looking for income tax. By being prepared, you can greatly reduce the risk of a surprising tax bill. Please reach out to us if you'd like to discuss your unique situation with our tax experts.

Steps to Establish Residency

- Transfer your checking and savings accounts to a local bank.
- Notify post office, banks, attorneys, brokers and accountants of new address.
- Use local service providers such as doctors, religious organizations and clubs.
- Spend the required amount of time in your new home, according to the state's tax laws.
- Rent/own a principal residence in your new state.
- Change your driver's license and register your vehicle in your new state.
- Register to vote in your new state.
- Update your estate planning documents to comply with state laws.
- File a final resident income tax return in your prior home state.
- If you still have income sources in your prior state, file non-resident income tax.

Alloy Happenings

Ren Cicalese, CPA, PFS, CGMA

- Virtually attended the AICPA & CIMA Engage Conference, June 5-8.

Ren Cicalese III, CPA, MST

- Attended the NJCPA Annual Convention in Atlantic City, June 13-16.
- Appointed Immediate Past President of the Southwest Chapter of the NJCPA.

Kelly Raso, CPA,
Julie Strohlein, CPA

- Presented "The Financial Fundamentals of Rental Properties" as an Alloy Academy webinar, July 26.

Happy Anniversary

- **Eileen Blemings,** celebrating her twentieth year with the firm.
- **Nicole Pelaschier,** celebrating her fifteenth year with the firm.

Welcome New Hires

- **Shannon G. Foskett, CPA,** an auditor formerly employed at a local accounting and auditing firm.
- **Ernestine Davis,** a member of the support staff team.
- **Beth Havens,** a member of the Small Business Services bookkeeping team.

*Alloy Silverstein continues our annual Employee Campaign to fundraise for the United Way of Greater Philadelphia and Southern New Jersey and their local partner agencies. Our team members proudly pledged **$11,257** for our 2023-24 campaign.*

Adrienne Dell'Olio, Kim Sheehan, Lindsey Cowperthwait, Kelly Raso, Anne D'Amico, Julie Strohlein,** and **Angela Venti** represented Alloy Silverstein at Impact100 South Jersey's Annual Meeting at Adventure Aquarium, where $211,000 was awarded to three not-for-profit organizations, June 21. If you are interested in joining this inspiring group of women, or are a nonprofit interested in the grant eligibility process, contact Leadership Council member **Angela Venti.

Alloy Spotlight

Adrienne Onorato Dell'Olio,
Director of Marketing

Adrienne joined the Alloy Silverstein team as a high school intern in 2006 and went on to receive her BA in Marketing from Rutgers-Camden in 2011 and her MA in Professional and Business Communication (PR) from La Salle University in 2014. She became the firm's first full-time Director of Marketing in 2011, allocating her marketing expertise to all three divisions of the Alloy Silverstein Group.

In recent years, the firm's marketing has grown from a department of one to an enthusiastic team of four. As Director, Adrienne strengthens Alloy Silverstein's tax, finance, and payroll brand awareness as well as manages the Group's four websites. She also coordinates community initiatives, including the firm's ever-growing holiday Adopt-A-Family drive.

Named a 20 Under 40 by *South Jersey Biz*, today she is a member of the Association for Accounting Marketing, Impact100 South Jersey (where she serves on their PR Committee), and is involved with the local Chambers of Commerce.

A lifelong South Jersey native, Adrienne resides in Marlton with her husband, Chris, son, Luca, and their three dogs. She enjoys reading, traveling, learning photography, taking on DIY projects, spending time with friends and family, and making memories with her toddler.

Something 2 Consider

Annuities – Time to Replace Yours?

by Ronald V. Donato, Jr., CFP®, MBA

Much has been written and discussed about the evils of annuities. In fact, I am frequently asked about annuities by clients and future clients. Of course, like so many things, an annuity is neither inherently good nor bad. In fact, the only relevant question is: Is an annuity good for YOU? Many of our clients have purchased annuities over the years. Interest rates have increased significantly, and your goals/needs may have changed. Since newer annuities have some attractive rates and features, it may be time to review whether or not your existing annuities are still accomplishing your goals. We will focus on income in this article; but all of your own goals must be considered. However, if you are seeking to maximize income, many of the new features may dictate that you move your existing annuity to a newer version.

How the analysis works:

- We will evaluate the features and annual costs of the existing annuities (you provide the most recent statement);
- We discuss your current and anticipated financial needs to determine how to help achieve your goals;
- We then find and analyze various options available to maximize your income, and/or growth, and/or life insurance amount, depending on your goals;
- We discuss with you the options and features, costs, etc., and then you let us know how you would like to proceed.

Here is an example of a recent income maximization goal met.

Terms used are *Income Base* (the amount upon which future income is based, which can be more or less than the market value), *Market Value* (the actual value of the annuity if you cashed it in today), *Surrender Charges* (the 'penalty' for cashing in an annuity early – usually last 7-10 years), *Payout Percentage* (the percentage of the Income Base that can get paid out each year) and expenses.

A client who will retire in 8-10 years has an existing annuity that has an Income Base value of $220,000. Market Value is $187,000 after any surrender charges, and the annual expenses are 3%. The current annuity grows the Income Base by 5% per year guaranteed, and the Payout Percentage is 5%. This client needs to maximize income when she retires. **To roll this into another annuity the market value is used** (i.e., you eliminate the income base from the old annuity). We replaced this annuity with one that will provide: 10 annual income base increases of 12% each guaranteed (vs. 5%), only 1% annual expense (vs. 3%), has new 7 year surrender charge schedule (the only negative), and offers Payout Percentage in 8 years of 6.2%. Income difference projected to be $1,897/month new vs. $1,283/month old. Both the old and new annuities are invested in the S&P index. Given that it is highly unlikely that the S&P index will average over 12% per year over the next 10 years, this new solution works!

Bottom line:

Annuities are not for everyone, and should only be recommended after a full discussion regarding your needs. Please give us a call to analyze your options.

Business Tax Planning cont. from cover

4. **Conduct a periodic business organizational review.** Tax rules for partnerships, sole-proprietors, S-corporations, and C-corporations vary dramatically. Once a year, spend some time considering whether your current organizational structure still makes sense. This review could also include future planning for ownership changes, or adjustments to your current accounting methods.

5. **Understand interstate tax risks.** If you conduct business in more than one state, your tax review should include a review of state tax liability obligations.

Please call us if you have any questions about these tax-saving tips or any other area of your business.

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Fall Tax Deadlines

September 15, 2023

- Third quarter individual estimated tax payments for 2023 are due.
- Filing deadline for extended 2022 S-corporation and partnership returns.

October 16, 2023

- Filing deadline for extended 2022 individual tax returns and calendar-year C-corporation returns.

During November

- Estimate your 2023 income tax liability and review your options for minimizing your taxes. Call to schedule a tax planning review.

What the IRS is Up to

IRS Lowers W-2 and 1099 Electronic Filing Requirements

As of 2024, the required electronic filing threshold for certain information returns (including the 1099 series forms and most Forms W-2) was reduced from 250 returns to 10 returns. This lower threshold applies to tax year 2023 Forms W-2 as they are due to be filed by January 31, 2024.

Update to Form 5500 Audit Exemption for 401(k) and 403(b) Plans

New guidance from the IRS and DOL changes how participants are counted to qualify for the small plan exemption of less than 100 participants. Plan years beginning on or after January 1, 2023 need only to account for participants with active balances, and no longer all eligible participants. More plans are now expected to qualify for the small plan exemption, which waives the auditing requirement.

StayNJ: New Property Tax Relief for NJ Seniors

A new property tax relief law aims to help residents over the age of 65 by reducing property taxes by up to 50% or increasing rental aid for eligible tenants. Until StayNJ goes into effect, the state is providing seniors an immediate $250 increase in property tax relief through the existing NJ ANCHOR program.