Coleman&Associates
Fully Integrated Tax, Accounting & Financial Services

December 2024

In This Issue

- Beneficial Ownership Information (BOI) Reporting Injunction
- Year End Tax Savings Checklist
- Tax Planning Tips for Your Business
- 2025 has 53 Wednesdays – Does This Mean an Extra Payroll?

Beneficial Ownership Information (BOI) Reporting Injunction

Texas Federal Court Issues Nationwide Injunction Against Enforcement of the Corporate Transparency Act

The Corporate Transparency Act requires the filing Beneficial Ownership Information reports (commonly called BOI reports) with the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of Treasury. The purpose of this act is to "help prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity."

However, on December 3, 2024, the U.S. District Court for the Eastern District of Texas (Sherman Division) issued a preliminary injunction in favor of the plaintiffs in the case of Texas Top Cop Shop, Inc. et al. vs. Garland (U.S. Attorney General). In so ruling, "[t]he Court has determined that the CTA and Reporting Rule are *likely* unconstitutional for purposes of a preliminary injunction. It has not made an affirmative finding that the CTA and Reporting Rule are contrary to law or that they amount to a violation of the Constitution." The Court went further and ruled that this is a nationwide injunction, applying against enforcement of the CTA and its impending January 1, 2025 filing deadline.

You can find a copy of the order here.

Coleman & Associates is providing this update for informational purposes only. The best person to help you with Beneficial Ownership Information reporting is your attorney or the legal service used to create your corporate entity. Coleman & Associates is unable to assist in this matter as these are legal in nature and our professional liability insurance does not cover these types of projects.

Year End Tax Savings Checklist

Conducting a year-end tax review of your financial situation can uncover opportunities to cut your tax bill or save you from an unpleasant tax surprise. But hurry, the clock is ticking! Here are several areas to consider reviewing in the next few weeks to trim your tax bill.

Review #1: Retirement Savings Accounts. The deadline to contribute to a 401(k) plan to help reduce your 2024 taxable income is December 31st. So if your employer's plan allows it, consider making a last-minute lump sum contribution. For 2024, you can contribute up to $23,000 to a 401(k), plus another $7,500 if you're age 50 or older. Even better, you have until April 15, 2025, to contribute up to $7,000 into a traditional IRA, plus another $1,000 if you're age 50 or older. And as long as your income does not exceed phaseout limits, your traditional IRA contribution can reduce your taxable income on your 2024 tax return.

Review #2: Investments. If you own stock outside a tax-deferred retirement plan, you can sell your under-performing stocks by December 31st and use these losses to reduce any taxable capital gains. If your net capital losses exceed your gains, you can net up to $3,000 against other income such as wages. Losses over $3,000 can be used in future years.

Review #3: Appreciated Assets. Consider selling appreciated assets in the tax year that helps you the most. While this strategy may be hard to accomplish this late in the year, it's still worthy of consideration. To do this, estimate your current year's taxable income and compare it to next year's projected taxable income. Then sell the appreciated asset in the year that will yield the lowest tax. Remember, if appropriate, to account for the 3.8% net investment income tax in your estimates.

Review #4: Tax-Efficient Contributions. As you're reviewing your appreciated assets, consider donating one or more of these assets if it helps you pass the itemized deduction threshold. If it does, consider donating next year's contributions as well to maximize the tax savings. Remember when you donate a long-term asset (held for more than one year) you avoid paying capital gains taxes while getting a market value charitable deduction. And don't forget, if you are over age 70 1/2 you can make up to $100,000 in direct contributions from a qualified IRA account and not pay tax on the withdrawal.

Review #5: Health Spending Accounts. If you participate in a Health Savings Account (HSA), try to maximize your annual contribution to reduce your taxable income. Remember, these funds allow you to pay for qualified health expenses with pre-tax dollars. The deadline for contributing to your HSA and still getting a deduction for the 2024 tax year is April 15, 2025. The maximum contribution for 2024 is $4,150 if single and $8,300 for married couples. If you're age 55 or older, you can add $1,000 to your HSA contribution. If you have a Flexible Savings Account, you can carry forward a maximum balance of $640 from 2024 into 2025 if your plan allows this.

Tax Planning Tips for Your Business

As 2024 winds down, here are some ideas to help you prepare your business for filing your upcoming tax return:

- **Informational returns.** Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TINs) for each of these vendors if you have not already done so.

- **Shifting income and expenses.** Consider accelerating income, or deferring earnings, based on profit projections.

- **Be prepared to receive a Form 1099-K.** You may receive a Form 1099-K from each payment processor from whom you've received a payment. In addition to credit card companies and banks, payment processors can include Amazon, Etsy, PayPal, Venmo and Apple Pay. You'll need to include the 1099-K on your tax return.

- **Categorize income and expenses.** Organize your records by major categories of income, expenses and fixed asset purchases. If your accounting records are accurate, then any tax form should be easy to tie out to your books.

- **Separation of expenses.** Review business accounts to ensure personal expenses are not present. Reimburse the business for any expenses discovered during this review.

- **Create expense reports.** Having expense reports with supporting invoices and business credit card statements with corresponding invoices will help substantiate your deductions in the event of an audit.

- **Fixed asset planning.** Section 179 or bonus depreciation expensing versus traditional depreciation is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year-end.

- **Leveraging business meals.** Business meals with clients or customers are 50% deductible. Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose on each receipt.

- **Charitable opportunities.** Consider any last-minute deductible charitable giving including long-term capital gain stocks.

- **Cell phone record review.** Review your telephone records for qualified business use. While expensing a single landline out of a home office can be difficult to deduct, cell phone use can be documented and deducted for business purposes.

- **Inventory review.** Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts for a potential deduction.

- **Review your receivables.** Focus on collection activities and review your uncollectible accounts for possible write-offs.

- **Review your estimated tax payments.** Recap your year-to-date estimated tax payments and compare them to your forecast of full year earnings. Then make your 2024 4th quarter estimated tax payment by January 15, 2025.

2025 has 53 Wednesdays – Does This Mean an Extra Payroll?

Our year is 365 (or 366) days long. This does not divide evenly into the seven days of the week. 2025 contains 53 Wednesdays, which gives your weekly or bi-weekly salaried employees an extra paycheck in 2025.

In any year with 365 days, there will be six days of the week that occur 52 times and one day of the week that occurs 53 times. In a leap year with 366 days, there will be five days of the week that occur 52 times and two days of the week that occur 53 times.

If you pay your salaried employees on Wednesdays, then you may have 53 or 27 paydays in 2025. There are three options for you:

- Do nothing and pay the same amount for each payday, recognizing one extra paycheck in the year. This results in a higher annual payroll cost for salaried employees.

- Divide annual salaries by 53 or 27 paydays. This will result in smaller employee checks each payday, countered by an extra paycheck at year's end. For instance, if a salaried employee is paid $52,000 a year, an employer can recalculate the per-paycheck amount so it ends up working out to be $52,000 over 27 paychecks every other week instead of 26 paychecks. Note: Employers electing this option should ensure compliance with the federal Fair Labor Standards Act and any relevant state wage laws.

- Another solution some favor is to change from a paycheck every two weeks to a twice-per-month paycheck. Be sure to adjust benefits deductions accordingly.

As always, contact the office with questions by emailing us at info@colemancpas.com or calling 773-444-3100. We are here to help.

Happy Holidays & Happy New Year from all of us at Coleman & Associates!