Coleman&Associates
Fully Integrated Tax, Accounting & Financial Services

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March 15 – Due date for partnership and S corporation tax returns (Forms 1065, 1120S)

Beneficial Ownership Information Reporting – Required in 2024

A new 2024 requirement created by the Corporate Transparency Act requires action from you! Here is what you need to know:

What is it?
Beneficial Ownership Information (BOI) reporting. The Corporate Transparency Act requires **filing Beneficial Ownership Information 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.”

Who does it affect?
The new requirements under the law are for corporate entities including:

- C-Corporations
- S-Corporations
- Partnerships
- Limited Liability Companies
- Trusts
- Other entities that were created by the filing of a document with the secretary of state or similar office under the laws of a State or Indian Tribe as well as those formed under the laws of a foreign country and registered to do business in the United States by the filing of a document with the secretary of state or similar office under the laws of a State or Indian Tribe.

When is it due?
These new filing requirements for entities which existed prior to January 1, 2024, is January 1, 2025. The filing deadline for new entities formed on or after January 1, 2024, is ninety days from the date of formation for those entities formed in the calendar year of 2024.

Who can help me with this?
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 file these reports as these filings are legal in nature and our professional liability insurance does not cover these types of projects.

What happens if I am late or do not file?
Failure to comply with the requirements of this new federal law can result in steep civil and even criminal penalties.

More information can be found at https://www.fincen.gov/boi which includes helpful resources published by FinCEN to aid in reporting.

GoFundMe – Is It Tax Deductible?

Donations made to a personal GoFundMe fundraiser, rather than a charity fundraiser, are generally considered to be personal gifts and aren't guaranteed to be tax-deductible.

Only donations made to GoFundMe certified charity fundraisers are guaranteed to be tax-deductible and you will receive tax receipts automatically from GoFundMe's charity partner, PayPal Giving Fund. Donations to these fundraisers are collected by PayPal Giving Fund, a non-profit organization, and distributed to the designated charity.

If you made any donations via GoFundMe, <u>we need a receipt from PayPal Giving Fund to include it as a charitable contribution deduction on your income tax return.</u>

Yes! You Owe Tax on That

If something of value changes hands, the IRS considers a way to tax it. Here are five taxable items that might surprise you:

- **Some scholarships and financial aid.** Scholarships and financial aid are top priorities for parents of college-bound children, but be careful — if part of the award your child receives goes <u>toward anything except tuition, it might be taxable</u>. This could include room, board, books, or aid received in exchange for work (e.g., tutoring or research).

  When receiving an award, review the details to determine if any part of it is taxable. Don't forget to review state rules as well. While most scholarships and aid are tax-free, no one needs a tax surprise.

- **Gambling winnings.** Technically, all gambling winnings are taxable, including casino games, lottery tickets and sports betting. Thankfully, the IRS allows you to deduct your gambling losses (to the extent of winnings) as an itemized deduction, so keep good records.

Know the winning threshold for when a casino or other payer must issue you a Form W-2G. But beware, the gambling facility and state requirements may lower the limit.

- **Unemployment compensation.** The IRS confused many by making this compensation tax-free during the COVID-19 pandemic. Unemployment compensation income has since gone back to being taxable.

  If you are collecting unemployment, either have taxes withheld or make estimated payments to cover the tax liability.

- **Crowdfunding.** A popular method to raise money is crowdfunding through websites. Whether or not the funds are taxable depends on two things: your intent for the funds and what the giver receives in return. Generally, funds used for a business purpose are taxable and funds raised to cover a life event are a gift and not taxable to the recipient.

  Prior to using these tools, review the terms and conditions and ask for a tax review of what you are doing.

- **Cryptocurrency transactions.** Cryptocurrencies like Bitcoin are considered property by the IRS. So if you use cryptocurrency, you must keep track of the original cost of the coin and its value when you use it. This information is needed so the tax on your gain or loss can be properly calculated.

  Using cryptocurrency for everyday financial transactions is not for the faint of heart because of how much recordkeeping is involved.

When in doubt, it's a good idea to keep accurate records so your tax liability can be correctly calculated and you don't get stuck paying more than what's required. Please call if you have any questions regarding your unique situation.

Retirement Plan Options for Small Business Owners

Offering a retirement plan can be a powerful tool when you're competing to attract the best employees. And if you're a sole proprietor, a retirement account can help you save even more money for the future. Here are some of the most popular retirement options for small business owners, along with ways to help with the cost of starting and operating a retirement plan.

Retirement plan options

- **Simplified Employee Pension (SEP) IRA Account.** Contribute as much as 25% of your business's net profit up to $69,000 for 2024.

- **401(k) Plan.** Contribute up to $69,000 of your salary and/or your business's net profit.

- **Savings Incentive Match Plan for Employees (SIMPLE) IRA Account.** You can put all your business's net profit in the plan, up to $16,000 plus an additional $3,500 if you're 50 or older.

Tax breaks to start a retirement plan

- **Tax Credit for Startup Costs.** A tax credit equal to 100 percent of the administrative costs for establishing a workplace retirement plan is available for up to three years for eligible businesses with 50 or fewer employees. Businesses with 51 to 100 employees can still be eligible, which caps the credit at 50% of administrative costs and with an annual cap of $5,000.

  Taking advantage: This credit could potentially cover all set-up and administrative costs during the first three years of a plan's existence, as average 401(k) set-up costs range from $1,000 to $2,000, while average annual administrative costs range from $1,000 to $3,000. To keep your annual administrative costs as low as possible, it may be worth shopping around to look at different plan providers as the fees can vary.

- **Tax credit for employer contributions.** Eligible businesses with up to 100 employees may qualify for a tax credit based on its employee matching or profit-sharing contributions. This credit, which caps at $1,000 per employee, phases down gradually over five (5) years and is subject to further reductions for employers with 51 to 100 employees.

  Taking advantage: Once this tax credit expires after the plan's first five years of existence, employer contributions to 401(k), SEP, and SIMPLE plans are still tax deductible up to certain limits. This means that both the employer and employee can continue to reap tax savings for the entire life of the retirement plan.

And remember that employees can still contribute to their own individual IRA. So let your employees know that in addition to having either a 401(k), SEP, or SIMPLE account through your company, they may also qualify to contribute to their own traditional IRA or Roth IRA.

It's never been easier or more affordable to start a retirement plan for your business, so if you have not already done so, look into the alternatives that best fit your business.

Important Moves to Consider When Interest Rates Change

A domino effect occurs each time the Federal Reserve changes interest rates. An increase leads to higher rates for consumers when they borrow, while paving the way to better returns for savings accounts. A decrease results in paying less interest when borrowing money, but also causes a drop in how much your savings can earn.
While waiting to see what the Fed does in 2024, consider having a plan in place for both these scenarios — a hike in interest rates as well as a cut. Here are some ideas for formulating your own financial plan for each scenario.

When Interest Rates Increase

- **Shop around for new savings accounts.** Rate increases are good for long-term savers and families who are stashing away money for short-term goals like buying a home. When interest rates are on an uptick like they are right now, it’s a great time to shop around for a high-yield savings account or to lock in a great rate for a portion of your savings with a certificate of deposit.

- **Focus on paying down high interest debt.** Rate increases can create disastrous results for people who have debt with variable interest rates. For example, data from the Fed shows the average credit card interest rate increased from 14.22% in 2018 to 21.19% in the second half of 2023. If high-interest debt is dragging you down financially, rate increases give you more incentive to pay it off.

- **Avoid borrowing when possible.** Surging interest rates make borrowing money more expensive, so try and avoid borrowing for personal and business reasons. If you must borrow, attempt to exhaust every other source of cash before taking on new debt.

When Interest Rates Drop

- **Refinance existing debts.** Look into consolidating or refinancing all your existing debts, including your mortgage, personal loans, and credit cards. Lower rates can help you save money on interest, secure a lower monthly payment, and help you pay off a debt's balance more quickly.

- **Look for ways to put additional funds to good use.** Lower interest rates make it less appealing to stash money away in savings account products, money market accounts, and certificates of deposit. Instead of savings accounts that feature little or no interest, look for ways to invest for the future or put your money to use for things you need.

- **Apply for funding.** Rate drops also make borrowing money more attractive. Consider applying for a personal or small business loan, but only if you have a plan for it.

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