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FALL 2021 SMALL BUSINESS NEWSLETTER

**See inside for our annual
1099/Payroll update!**

Small Business Services Group



TRONCONI SEGARRA
& ASSOCIATES^{LLP}

Certified Public Accountants
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

“Some people dream of success, while other people get up every morning and make it happen.”

Wayne Huizenga (1937 – 2018), American businessman, entrepreneur, major league sports owner.

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NYS Pass-Through Entity Tax: Next Steps

By Joseph M. Becht, CPA, CGMA, Senior Manager

The pass-through entity tax (PTET) created under new Tax Law Article 24-A is an **optional** tax that eligible New York S corporations and partnerships may annually elect to pay on certain income for tax years beginning on or after January 1, 2021. If the eligible entity elects to pay the PTET, shareholders, members or partners of the electing entity who are subject to the tax under Article 22 may be eligible to claim a PTET credit on their New York State individual income tax returns.

The deadline to submit an online PTET election ended on October 15, 2021 for tax years beginning on or after January 1, 2021. For those that were unable to file the election by this date, you will have the opportunity to reevaluate and submit an annual election for the next tax year beginning January 1, 2022.

The New York State Department of Taxation and Finance issued a Technical Memorandum (TSB-M-21(1)C, (1)I) providing additional information on the PTET. Below are some of the highlights:

Estimated Tax

PTET tax for 2021

- The electing entity **is not required** to make any estimated tax payments for PTET for the 2021 tax year. However, the entity may choose to make optional online estimated tax payments prior to December 31, 2021. An online estimated tax application for PTET will be available on the NYS website by December 15, 2021.

PTET tax years beginning on or after January 1, 2022

- The electing entity **is required** to pay estimated tax on the amount of PTET determined for the current taxable year utilizing the NYS online application.
- The estimated tax payments are due on or before March 15th, June 15th, September 15th, and December 15th in the calendar year prior to the year in which the PTET return filing is due. The required quarterly estimate installments should be at least 25% of the required annual payment, which is the lesser of 100% of the PTET shown on the preceding year tax return, or 90% of the current year PTET as shown on the current year return.

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QUICKBOOKS DESKTOP TRANSITIONS TO SUBSCRIPTION MODEL WITH THE 2022 RELEASE

By Anne Marie Niedzialowski, Senior General Ledger Specialist

Intuit recently announced it is transitioning to annual subscription model pricing and eliminating its product license software for purchase for Pro & Premier products. Beginning with the 2022 release, you will no longer be able to make a one-time purchase of a license for the Desktop product and have Intuit's support for 3 years. Instead, you will be subscribing for a license to use the software for one year. The annual subscription pricing is based on number of users and not per-company, so you are still able to manage unlimited companies with one subscription (unlike a QBO subscription which is per company). This remains a desktop-based software and your data is NOT hosted/stored in the cloud. Since this is a subscription-based pricing model you will need to renew annually and if not renewed, the software will no longer be accessible. However, you will retain access to your company data file stored on your device.

The subscription will include:

- Access to the latest version, with the most up-to-date features and security patches
- Up to 38% faster, more reliable QuickBooks computing power (64-bit)
 - Please note that if you have an older 32-bit computer you will NOT be able to use the 2022 version, which requires a 64-bit compatible Windows operating system.
- Unlimited customer support
- Intuit Data Protect (data backup service – PC version)
- QuickBooks Desktop Mobile App (for receipt management, uploading bills and other attachments)

Subscription Pricing:

- QuickBooks Desktop Pro Plus 2022
 - 1 user \$350/year
 - 3 user \$750/year
- QuickBooks Desktop Premier Plus 2022
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 - 3 user \$1,150/year
 - 5 user \$1,750/year

Intuit is offering a \$100 discount per user for the first year only.

Required Minimum Distributions: Temporary Waiver Lifter & 2021 Refresher

By Michele Loretto, CPA, Manager

The CARES Act provided taxpayers with temporary relief in 2020 from the requirement that retirees and beneficiaries of inherited IRAs withdraw and pay tax on their required minimum distributions (RMDs). The Act also provided relief for retirement age employees that separated from service. However, some relief enjoyed by taxpayers will not continue into 2021. As we approach the end of the year, we would like to remind taxpayers of the RMD requirements that are back. The penalty for not taking a RMD is a 50 percent excise tax on the amount not distributed.

2021 Refresher:

- A retirement plan owner must begin taking RMDs annually starting the year they reach 70 ½ with limited exception. Retirement plans include: traditional IRAs, simplified employee pension plans (SEPs), savings incentive match plans for employee's individual retirement accounts (SIMPLE IRAs), profit sharing plans such as a 401(k), 403(b) or 457(b) and other defined contribution plans.
- Under the SECURE Act, if a taxpayer's 70th birthday is on July 19, 2019 or later, they are not required to take their first distribution until they are 72. The required distribution date for these IRA owners is April 1st of the year following their 72nd birthday. **Tip:** Those individuals turning 72 in 2021 might consider taking a RMD by December 31st to avoid receiving two RMDs in 2022.
- Participants in work-related retirement plans that are still employed may wait until April 1st of the year following their retirement, but the

taxpayer must confirm that the plan provides for this allowance.

- Roth IRAs do not require distributions until the death of the owner.

Another form of relief that was provided during the pandemic was that certain distributions could qualify as coronavirus-related distributions. These distributions would not be subject to the 10 percent early withdrawal penalty. Taxes would be includable on your tax return over a three-year period or in the year taken, if elected. In addition, the coronavirus-related distributions could also be repaid within three years. This provision continues for 2021 and 2022.

We recommend that all taxpayers within the applicable age range review their RMD requirements for 2021 and contact us at Tronconi Segarra & Associates.



Part II: Cutting Ties with New York State – Statutory Residence Test

By Melissa S. Howell, CPA, Principal

In our summer newsletter, we discussed cutting ties with New York State and highlighted the two tests used by the New York Tax Department for determining residency. We explored in some detail the first test, the Domicile Test and what steps an individual should take to support their new residency position. In this article, we will take a deeper dive into the second test, the Statutory Residency Test.

In many instances, a taxpayer may not completely sever ties with New York and continue to maintain various connections to the state. When you have a home somewhere else, but you are in New York enough for whatever reason, you could be viewed by the New York Tax Department as a “statutory resident” and taxed by New York on 100 percent of worldwide income. A statutory resident is a person that is not domiciled in New York, but maintains a permanent place of abode in the state and spends more than 183 days of the taxable year in the state.

Permanent Place of Abode

A permanent place of abode is defined as a dwelling place of a permanent nature suitable for year-round use. Unlike the question of domicile, becoming a statutory resident requires no subjective intent to make New York your permanent home. In most cases, a taxpayer may own or lease the dwelling, but you could also be considered to be maintaining an abode if you are making contributions to the household in the form of money, services or other contributions. If you maintain a place of abode that meets these characteristics and you can stay there whenever you want, you are maintaining a permanent place of abode, even if you only stay there occasionally.

183-Day Rule

If a taxpayer spends more than 183 days in New York, you can be considered a statutory resident. For purposes of the 183-day rule, any part of a day spent in New York is considered a “New York” day and will count towards your 183-day statutory total. Some states offer exceptions for medical days, but these days could be closely scrutinized in the event of a residency audit.

Keeping accurate record of your calendar and whereabouts on any given day is especially important, as the burden of proof is on the taxpayer to prove the days they were not in New York. There are many ways of determining where a taxpayer was on a particular day. Taxpayers should maintain supporting documents, including ATM activity, credit card statements, flight records, cell phone logs, EZ Pass statements, to name a few. A detailed calendar should also be kept on a daily basis tracking your physical location. There are many Apps available that can digitally log your whereabouts.

Cutting ties with New York State can be complicated. Avoiding statutory residency traps requires examining the taxpayer’s particular fact pattern, keeping comprehensive records and an understanding of the law. To discuss residency rules in greater detail, please contact us at Tronconi Segarra & Associates.

TOOLS, TIPS AND TIDBITS

By Jenny Willis, Supervising Senior Accountant

Tax Year 2022 Key Amounts

Standard Deduction

- Married filing jointly — \$25,900
- Married filing separately — \$12,950
- Head of household — \$19,400
- Single — \$12,950

Child Tax Credit (fully refundable)

- Children ages 5 and under: \$3,600
- Children ages 6 through 17: \$3,000
- Other Dependents: \$500 (nonrefundable credit)

Gift Tax Exclusion — \$16,000

- 401(k) Contribution — \$20,500
- Age 50 and older catch-up — \$6,500

Standard Mileage Rates (2022 rates)

- Business 58.5¢ per mile
- Medical or moving 18¢ per mile
- Charitable 14¢ per mile (unchanged)

Health Savings Accounts (HSA)

- Individual contribution limit \$3,650
- Family contribution limit \$7,300
- Additional \$1,000, if age 55 or older

IRA (Traditional & Roth)

- Maximum contribution — \$6,000
- Age 50 and older catch-up — \$1,000

NYSSUI Wage Base — \$12,000

Social Security Wage Base — \$147,000

Tax Filing Deadlines

- Form 1040 - Individuals due 4/15/22
- Form 1041 - Trusts due 4/15/22
- Form 1120 - C-Corporations due 4/15/22
- Form 1120S - S-Corporations due 3/15/22
- Form 1065 - Partnerships due 3/15/22

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NYS Pass-Through Entity Tax: Next Steps

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Filing of annual PTET return and calculation of PTET credits

- The annual PTET tax return is due on or before March 15 and must be filed using the NYS online return application. Once a PTET return is filed, the electing entity cannot amend the return for any reason.
- The electing entity can request a six-month extension of time to file the PTET return through their NYS Business Online Services account.
- Careful attention must be made by the electing entity with regards to the calculation and reporting of the PTET credits. The PTET credits are only available to each partner, shareholder, or member that are taxable under Article 22. The PTET credits reported cannot exceed the total PTET paid by the electing entity. The electing entity must disclose on its return all PTET credit eligible taxpayers with their respective credit amounts in order for the taxpayers to use the PTET credit on their NYS individual income tax returns.
- Taxpayers that are eligible to receive a PTET credit from an electing entity, may claim the credit using NYS Form IT-653, Pass-Through Entity Tax Credit and attach the form to their NYS individual income tax return. A partner, shareholder, or member that is not subject to tax under Article 22 is not eligible for the PTET credit.
- An eligible taxpayer claiming the PTET credit is required to make an addition modification to the federal adjusted gross income on the eligible taxpayer's NYS individual income tax return for an amount equal to the PTET credit claimed.
- If any allowable PTET credit exceeds a taxpayer's tax due for the year, the excess will be treated as an overpayment to be credited or refunded without interest.
- An eligible resident partner, member, or shareholder will be allowed a resident tax credit against their NYS individual income tax for any PTET imposed by another state, local government, or the District of Columbia, that is substantially similar to the PTET imposed under Article 24-A paid by a partnership or NYS S-Corporation to another jurisdiction.

While we will continue to monitor any further PTET guidance from the New York State Department of Taxation and Finance, it is crucial that businesses weigh the benefits and risks of making the PTET election and paying taxes at the entity level. There are multiple considerations to evaluate since each entity has a unique set of circumstances. Should you have any questions regarding the PTET, please contact us at Tronconi Segarra & Associates.

WELCOME NEW PARTNERS AND ASSOCIATES!

The CPA firm of Feeley, Bonaventura and Hyzy, CPAs, P.C. recently merged into Tronconi Segarra & Associates LLP; and we hope you will join us in welcoming their three partners and six associates who are now part of our Small Business Department:

- Joseph P. Feeley, Jr., CPA
- Anthony J. Bonaventura, Jr., CPA
- Thomas D. Hyzy, CPA
- Karen K. Belzile, CPA, Senior Manager
- Melissa A. Wasieczko, CPA, Senior Manager
- Tania A. Assad, CPA, Manager
- Courtney Scanlan, Staff Accountant
- Tracy L. Deleo, General Ledger Specialist

In announcing the merger, Tronconi Segarra & Associates' Managing Partner James S. Segarra, CPA, said, "Both firms have a strong focus on providing exceptional client service and practice a philosophy of close, partner involvement in our clients' engagements, giving clients a much more intimate, personalized experience."

All of these new partners and associates are working in our main office located at 8321 Main Street in Williamsville. They may be reached by calling 716.633.1373.

Enjoy some holiday fun on the next page...