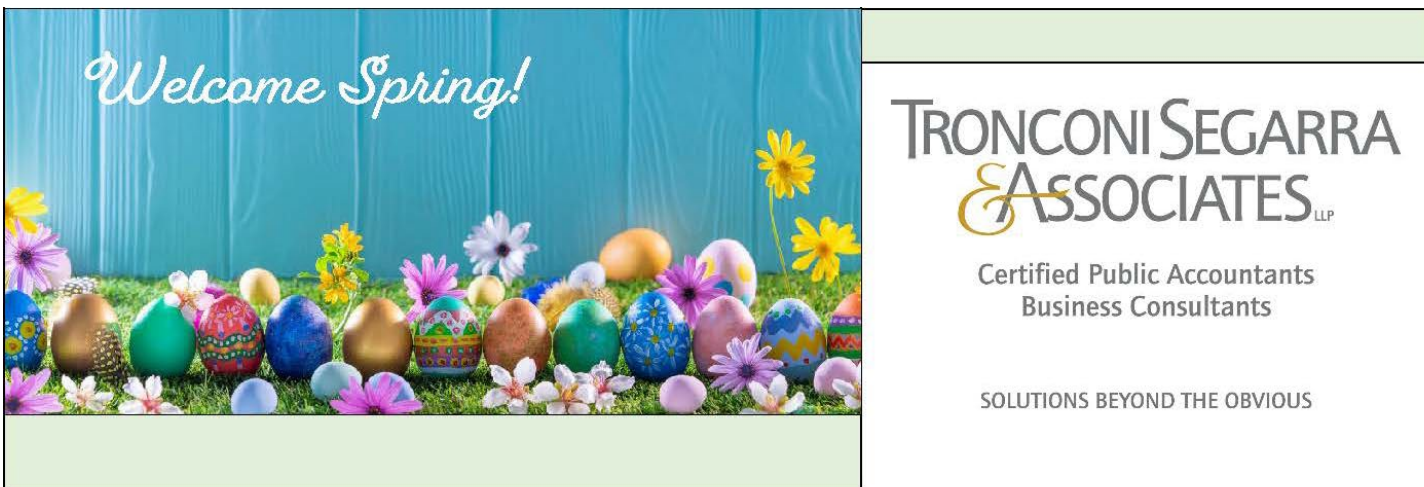


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“It’s a way to take people’s wealth from them without having to openly raise taxes. Inflation is the most universal tax of all.”

*Thomas Sowell, American economist, social philosopher and political commentator. 1930 – present.*

**SMALL BUSINESS MANAGEMENT TEAM**

- Michael B. Dolan, CPA, Partner
- Diane M. Straka, CPA, Partner
- Scott A. Cain, CPA, Partner
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- Michele A. Loretto, CPA, Senior Manager
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## Expanded Tax Credits for Certain Energy Efficient Home Improvements

*By Diane M. Straka, CPA, Partner*

The Inflation Reduction Act of 2022 extended and expanded many energy tax incentives. This article will focus on energy credits available to individuals for making qualified energy efficient or clean energy home improvements.

Commencing January 1, 2023 and continuing through December 31, 2032, the **Energy Efficient Home Improvement Credit** provides a credit equal to 30 percent of the costs for eligible home improvements made during the year, subject to certain limitations. Roofing and air-circulating fans do not qualify.

The credit is limited to \$1,200 per year with specific annual limits:

- \$250 per door (\$500 total)
- \$600 for certain energy property
- \$600 for windows
- \$150 for home energy audits
- \$2,000 for qualified heat pumps

Qualifying equipment includes:

- Heating & cooling equipment: heat pumps, biomass stoves, efficient air conditioners, heating equipment and water heating equipment.
- Other upgrades: electric panel or circuit upgrades for new electric equipment, insulation materials and air sealing, windows, exterior doors, and home energy audits.

The credit is nonrefundable and cannot be carried forward to future years.

The second credit available to homeowners is the **Residential Clean Energy Credit**, which is available January 1, 2023 through December 31, 2034. The credit percentage is 30 percent of the cost of equipment through 2032; 26 percent in 2033 and 22 percent in 2034. Qualifying clean energy equipment includes solar panels, fuel cells, wind turbines and battery storage. Separately, New York State also provides a 25 percent credit up to \$5,000 for solar energy system credit improvements. These credits are nonrefundable however, they can be carried forward to use in future years.

A third credit available to homeowners is the **Alternative Fuel Refueling Property Credit**, which is available January 1, 2023 through December 31, 2032. The credit is equal to 30 percent of the cost of home electric vehicle charging equipment installed in the home up to a \$1,000 credit. Bidirectional charging equipment is included as eligible equipment for this credit. The credit is nonrefundable and it cannot be carried forward to future years.

## HOW TO MANAGE YOUR ACCOUNTS RECEIVABLE

*By Katherine Little, Accounting Analyst*

Maintaining a steady cash flow is an integral part of operating a successful business. You must continually monitor your accounts receivable balances and take appropriate actions when customers are not remitting timely payments.

Accounts Receivable is money owed to a business for goods or services that were provided. QuickBooks Online (QBO) provides valuable reporting tools that make it easy for you to see which customers owe you money and how many days old the receivable balance is.

To generate an Accounts Receivable Aging Report in QBO:

- Click on the reports tab in the toolbar on the left-hand side of your QBO screen
- Under the dropdown “Who owes you,” you can find two helpful reports:
  - Accounts Receivable Aging Summary
  - Accounts Receivable Aging Detail

The Accounts Receivable Aging Summary report allows you to see a simplified breakdown of money yet to be received by the number of days outstanding: Current, 1-30 days, 31-60 days, 61-90 days and 91 and over. The Accounts Receivable Aging Detail report provides a similar breakdown but gives extra information such as the invoice and due dates.

With these reports, it is quick and easy to see which customers owe you money. You might try implementing a best practice of sending an email to the customer once a balance is 30 days late and then follow-up with a phone call after 60 days.

Monitoring your Accounts Receivable can help you regulate and generate a healthy cash flow.

## SafeSend Suite: Tax Returns

*By Lisa A. Mrkall, CPA, MBA, Partner and Michele Loretto, CPA, Senior Manager*

In a previous edition of our newsletter, we introduced a new document delivery process called SafeSend Suite. SafeSend Suite is a high-end online experience that offers electronic tax organizers, e-signatures, as well as document and tax return delivery. As more and more of our client’s work-from-home and require remote services, we identified SafeSend Suite to provide a convenient, safe and efficient experience during the tax preparation and document delivery process. As we embark on our second year of using SafeSend Suite, we wanted to remind you of its many benefits.

At the core of the suite is SafeSend Returns. This solution will effortlessly automate the assembly, delivery and e-signing of your tax returns. It includes an intuitive client interface that walks you through the process step-by-step. While the look and feel of your tax return will be very similar, you will also notice a comprehensive dashboard that will display a summary of your federal and state returns, balances due, overpayments, and the subsequent year’s estimated payments, if applicable. You will have the ability to review your tax documents and electronically sign the e-file authorization forms. Should you have balances due with your tax returns, SafeSend Returns provides safe and convenient options for paying your balances online to the IRS and state tax authorities or by

downloading payment vouchers to send in with a check.

Estimated tax payments for 2024 are also available to be made through SafeSend Returns beginning with your April 2024 payment. Again, you may choose to be directed to the IRS and state tax department payment websites or download the payment vouchers to be printed and mailed. Email reminders to our clients are also in place to notify you of any upcoming payment dates.

Should you require access to copies of your tax returns in the future, you will have the opportunity to login to SafeSend Returns to download copies of prior year tax returns. Many of our clients request electronic copies of tax returns during refinancing or lending projects as well as for student financial aid applications, so this is a safe and efficient method of obtaining these copies at your convenience.

As a valued client of Tronconi Segarra and Associates, we are here to assist you through the new features of SafeSend Suite to ensure that you have the best experience possible.

*We’re pleased to announce the following Small Business Dept. associates were recently promoted:*

- Lisa A. Mrkall, CPA, MBA, to Partner
- Melissa Wasieczko, CPA, to Principal
- Michele Loretto, CPA, to Senior Manager.

## Accounting For and Disclosure of Crypto Assets

By Richard J. Gilmartin, CPA, Principal

On December 13, 2023, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2023-08, "Accounting for and Disclosure of Crypto Assets." The amendments in this long-awaited update revise the accounting for crypto assets under U.S. Generally Accepted Accounting Principles (GAAP) to better reflect the economics of crypto assets.

Crypto assets, also known as digital assets, are a digital representation of value or a right that can be transferred or stored electronically using a distributed ledger based on blockchain or similar technology. Crypto assets do not generally have tangible physical attributes. Perhaps the most commonly known crypto asset is "Bitcoin" however, there are thousands of cryptocurrency types in existence.

Prior to the issuance of this update, crypto assets were accounted for as indefinite-lived intangible assets. Those assets were tested for impairment at least annually. If the carrying amount of the asset exceeded its fair value, the holder was required to recognize an impairment loss and reduce the carrying amount of the asset to its fair value. Subsequent increases in the carrying amount of the asset and reversal of the impairment loss was prohibited. Investors, lenders, creditors and other stakeholders had long stated that the above model of accounting for crypto assets did not provide decision-useful information. Specifically,

accounting for only decreases and not increases, in the value of crypto assets did not provide relevant information to reflect the underlying economics of those assets and a holding entity's financial position.

FASB ASU 2023-08 amends the accounting for crypto assets by stating that changes in fair value are to be recognized in net income each reporting period. For example, for a crypto asset purchased for \$1,000 during the year and valued at \$2,500 at year-end, the holding entity would record the \$1,500 increase in value in that year's net income.

The amendments in this update also require the holding entity to present crypto assets measured at fair value separately on the balance sheet; and changes from the remeasurement of crypto assets separately in the income statement. Finally, there are more robust disclosures of the crypto assets required in the holding entity's financial statements and footnotes.

The amendments in FASB ASU 2023-08 are effective for all entities for fiscal years beginning after December 15, 2024 (calendar year 2025 financial statements). Early adoption is permitted for financial statements that have not yet been issued. A cumulative adjustment to the opening balance of retained earnings will be required as of the beginning of the annual reporting period in which an entity adopts this new Standard.

## IRS Reinforces Stance on Crypto-Currency Income

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

The Internal Revenue Service (IRS) has recently issued a clear reminder that taxpayers must again answer a digital asset question and report all digital asset related income when they file their 2023 federal income tax return. The question appears at the top of Form 1040 and was also added to additional tax forms for estates and trusts, partnerships and corporations.

Depending on the form, the IRS asks this basic question, with appropriate variations tailored for the type of taxpayer:

"At any time during 2023, did you: (a) receive (as a reward, award or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?"

A digital asset is a digital representation of value that is recorded on a cryptographically secured, distributed ledger or any similar technology. Common digital assets include:

- Convertible virtual currency and cryptocurrency
- Stablecoins
- Non-fungible tokens (NFTs)

### **Everyone must answer the question**

Everyone who files Forms 1040, 1040-SR, 1040-NR, 1041, 1065,

*Continued on Page 5*

## New York State Small Business Subtraction Modification

By Michael P. Zeoli, Jr., CPA, Manager

The small business subtraction modification is a considerable benefit for New York State tax purposes that is oftentimes overlooked by taxpayers and practitioners. If you meet the definition of a small business, or are a member, partner, or shareholder of an LLC, partnership or S corporation in New York State, you may be entitled to a NYS deduction equal to 15 percent of the net items of income, gain, loss, and deduction attributable to that business.

Eligible small businesses for purposes of this subtraction modification are as follows:

- A small business that is a sole proprietorship who employs one or more persons during the tax year and has net business income

greater than zero, but less than \$250,000.

- A small business that is an LLC, partnership or New York S-corporation that employs one or more persons during the tax year and has New York source gross business income greater than zero, but less than \$1,500,000 (must also have net business income that is less than \$250,000).
- A farm business that is a sole proprietorship who employs one or more persons during the tax year and has net farm income greater than zero, but less than \$250,000.
- A farm business that is an LLC, partnership or New York S-corporation that employs one or more persons during the tax year and has net farm income

greater than zero, but less than \$250,000.

Prior to tax year 2022, the subtraction modification was equal to 5 percent of net business or farm income and was only available to sole proprietors with at least one employee and net business or farm income less than \$250,000. The increased subtraction modification from 5 to 15 percent beginning in tax year 2022 should further incentivize taxpayers and practitioners to take advantage of this benefit available to them.

Please contact your Tronconi Segarra & Associates tax advisor if you have any questions regarding your business's eligibility for this deduction.

## 2024 Financial Planning Tips & Trends

By Lisa A. Mrkall, CPA, MBA, Partner

As we reflect on 2023, there was no shortage of news and scenarios related to the U.S. economy and personal finance. Interest rates, inflation, housing prices and a turbulent political landscape were among the many issues important and relevant to taxpayers. Tax season once again warrants the gathering of records and important statements in order to file your income taxes. This is also a great time to revisit your financial, retirement and estate planning goals as well as important documents. As you consider these for yourself and your family, we'd like to provide some

ideas, tips and trends from the financial planning world that might be relevant for you.

### **Education Planning & 529-to-Roth Rollovers**

Saving for college is an important commitment and worthy of special consideration, especially as undergraduate enrollment has steadily declined in recent years, mainly due to the impact of the pandemic and rising college tuition. To aid in the savings process, many families consider the 529 plan which is an investment account offering tax-free withdrawals and other benefits when used to pay for qualified education

expenses. Thanks to a provision in the Secure Act 2.0, should the account hold unused funds at the end of the college process, account owners can roll over up to \$35,000 into a Roth IRA in the beneficiary's name. This represents the lifetime limit per beneficiary and these provisions are in effect starting in 2024.

Additional restrictions are outlined in these new regulations, so please feel free to reach out to us for more information.

### **Inflation Indexing for QCDs**

Qualified charitable distributions (QCDs) allow a taxpayer who is

*Continued on Page 5*

## IRS Reinforces Cryptocurrency Stance, *continued*

1120 and 1120S must check one box answering either "Yes" or "No" to the digital asset question. The question must be answered by all taxpayers, not just by those who engaged in a transaction involving digital assets in 2023.

### When to check "Yes"

Normally, a taxpayer must check the "Yes" box if they:

- Received digital assets as payment for property or services provided
- Received digital assets resulting from a reward or award
- Received new digital assets resulting from mining, staking and similar activities
- Received digital assets resulting from a hard fork (a branching of a cryptocurrency's blockchain that splits a single cryptocurrency into two).
- Disposed of digital assets in exchange for property or services
- Disposed of a digital asset in exchange or trade for another digital asset
- Sold a digital asset
- Otherwise disposed of any other financial interest in a digital asset

### How to report digital asset income

In addition to checking the "Yes" box, taxpayers must report all income related to their digital asset transactions. For example, an investor who held a digital asset as a capital asset and sold, exchanged or transferred it during 2023 must report their capital gain or loss on the transaction. A taxpayer who disposed of any digital asset by gift may be required to file a gift tax return.

If an employee was paid with digital assets, they must report the value of assets received as wages. Similarly, if they worked as an independent contractor and were paid with digital assets, they must report that income on their Schedule C.

### When to check "No"

Normally, a taxpayer who merely owned digital assets during 2023 can check the "No" box if they did not engage in any transactions involving digital assets during the year. They can also check the "No" box if their activities were limited to one or more of the following:

- Holding digital assets in a wallet or account
- Transferring digital assets from one wallet or account they own or another
- Purchasing digital assets using U.S. or other real currency, including through electronic platforms

## 2024 Financial Planning Tips & Trends, *continued*

age 70½ or older to distribute up to \$100,000 annually from a traditional IRA to a qualified public charity. Such a distribution is not taxable and can be used in lieu of all or part of an RMD. Beginning in 2024, the QCD amount is indexed for inflation, and the 2024 limit is \$105,000. The Secure Act 2.0 created an opportunity (effective 2023) to use up to \$50,000 of one year's QCD (i.e., one time only) to fund a charitable gift annuity or charitable remainder trust. This amount is also indexed to inflation beginning in 2024, and the limit is \$53,000.

The Secure Act 2.0 provides for many other savings options in 2024. We would be happy to meet with you to break these down further, as well as explore the many other facets of financial planning that may be on your mind as this new year gets underway. Let us assist you with updating your estate planning documents, navigating the new FAFSA form or planning for the sunset tax laws in 2025.

*Visit our refreshed website for articles, webinars and fun facts about our Management Team members. We've linked our services to the professionals who offer them so that if you need a new service from us, you can easily see who you may be working with. As always, you can conveniently remit payment to us through our website, link to our social media pages, and read testimonials from some of our clients. We hope you visit us soon at [www.tsacpa.com](http://www.tsacpa.com)!*