Small Business Services Group

TRONCONI SEGARRA & ASSOCIATES LLP

Certified Public Accountants
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

Supreme Court Affirms Life Insurance Proceeds Increase a Corporation's Estate Tax Value

We encourage you to read the blog on our website about this important matter which may impact individuals and corporations using life insurance proceeds as part of an estate or succession plan. This SCOTUS decision resulted in significant additional income taxes due by the plaintiff as a result of the increased value of a decedent's estate. We encourage all clients to review their estate/succession plans with their professional advisors.

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New NYS Commercial Security Tax Credit

By Melissa S. Howell, CPA, Principal

New York State recently enacted a budget bill for the fiscal-year 2024-2025 that includes a new Commercial Security Tax Credit designed to help alleviate the burden on small businesses for implementing additional security measures. The credit is being offered to incentivize retail businesses operating in New York to invest in the necessary security equipment to safeguard both their employees and store merchandise from retail theft. The credit is available for tax years beginning on January 1, 2024, and ending before January 1, 2026.

An eligible business entity may claim a tax credit of $3,000 for each business retail location if they satisfy the following criteria:

- Must operate one or more physical retail locations in New York State that are open to the public.
- Must be required to file an income tax return and not owe past due local, state or property taxes, unless there is a prior, agreed-upon and binding payment agreement.
- Must have qualified retail theft prevention measure expenses exceeding $4,000 (for businesses with 25 or fewer employees) or $6,000 (for businesses with more than 25 employees) for each retail location during the taxable year.
- Must provide certification that the business entity participates in an established community anti-theft partnership.

If a business is eligible, the tax credit can be used to offset expenses on security measures such as: hiring security officers, installing security cameras and alarm systems, enhancing security lighting (interior and exterior), and adding locking or hardening mechanisms or access control systems. The total amount of tax credits available to eligible New York State businesses is $5 million for each of the calendar years 2024 and 2025.

This tax credit is brand new and additional guidance is expected soon, especially regarding the application process and the details around participation in anti-theft partnerships. We anticipate that businesses will file annual applications demonstrating eligibility and security expenditures incurred each year. This new credit offers a proactive approach to helping small businesses safeguard their premises and inventories, and we will keep our clients informed as additional program details are released.

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PERSONAL FINANCIAL PLANNING SERVICES

By Lisa A. Mrkall, CPA, MBA, Partner

We have the distinct privilege of touching clients' lives each year when we provide tax preparation services for them. Our client's tax returns serve as a roadmap to begin to understand their personal financial situations. We often see situations during the preparation of the tax return that lend themselves to additional planning, consulting, and starting points for deeper discussions. These may be about financial goals, challenges, concerns, and strategies for the short-term, long-term, and anywhere in between.

As a CPA and partner in our Small Business Department pursuing a specialized new credential in financial planning and coaching with the American Institute of Certified Public Accountants (AICPA) known as the Personal Financial Specialist or PFS, I have collaborated one-on-one with numerous clients in pursuit of their financial goals for over twenty years.

I am available to meet with you to explore ways that could improve your financial position and offer valuable suggestions in the areas of estate planning, tax mitigation, retirement, risk management, and investment planning. Using multiple tools, I can help clients identify important issues and motivate them to take simple steps toward their goals, mindful always of safeguarding their sensitive information in accordance with my professional standards.

For a complimentary consultation with me, please call me at 716.633.1373 or email TSA-PFP@tsacpa.com. We can meet in person, have a phone discussion, or meet via videoconference. I truly look forward to working with you and helping you succeed!

Visit https://tsacpa.com/team/lisa-a-mrkall/ to view my full bio. Thank you!

Personal Financial Statements: Nuts & Bolts

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

As featured in our previous newsletter: *"Understanding and Evaluating your Personal Financial Statements,"* we learned that personal financial statements refer to a document or spreadsheet that highlights an individual's financial position at a given point in time. The statements include information about the individual, such as a name or address, along with a personal balance sheet and income statement. In this article we will explore the content of these statements and how they can assist you in strategizing and evaluating your overall financial plan.

What should be included in Personal Financial Statements?

There are two core sections of any personal financial statement:

Balance Sheet

A balance sheet includes all your assets, liabilities, and resulting net worth or equity. Typical *asset items* may include your physical cash, checking and savings accounts, investment accounts, retirement accounts, certificate of deposit, real estate owned including personal residence, and personal property including vehicles, jewelry, and other significant items, such as collectibles. Typical *liability items* may include your mortgage, home equity loan, vehicle loan, credit card balances, student loans, and other personal or co-signed loans. The net difference between your assets and liabilities is your *net worth*, which represents your net economic position.

Income Statement

An income statement includes all your revenue and expense items. Typical *revenue items* may include items such as your salary, self-employment income, interest and dividend income, capital gain income, rental income, retirement income, and any other type of income. Typical *expense items* may include income taxes, real estate taxes, rent, insurance premiums, mortgage interest, student tuition, personal loan interest, and other steady cash outflows such as utilities, groceries, auto expenses, entertainment, and a host of other typical budget line items that reduce your monthly income.

The above lists of assets, liabilities, revenues, and expenses are some of the most common types and do not represent an all-inclusive list of items that may apply.

What should not be included in Personal Financial Statements?

Typical items that should be omitted are:

- Business assets and liabilities unless the person is personally liable.
- Loaned assets in which the person does not have legal ownership over the item.
- Personal household items like furniture, which do not have a significant cash value.

Value of Personal Financial Statement

Personal financial statements provide a common starting point for individuals who are looking to invest or borrow money. Compiling a set of personal financial statements helps both the individual and the financial institution understand the person's fiscal financial responsibilities as well as aids in long-term financial planning and strategic goal setting.

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Phase-Out of Bonus Depreciation

By Michele Loretto, CPA, Senior Manager

For nearly a decade, taxpayers have been able to claim enhanced bonus depreciation deductions under the Tax Cuts and Jobs Act. For 2024, the bonus depreciation allowance is reduced to 60 percent and unless the tax law changes, will continue to decrease by 20 percent each subsequent year until completely phased-out after 2026.

Depreciation is the recovery of the cost of property over a specified number of years. In other words, you can deduct a part of the cost every year until you fully recover the entire cost. Bonus depreciation is an accelerated business tax deduction that was originally enacted by Congress after September 11th as an incentive to encourage business investment. Rather than depreciating a large asset over the course of its lifetime, you can elect "bonus depreciation" and write-off a large chunk of the purchase price in the first year. For 2024, businesses can elect to write off up to 60 percent of the purchase price of a qualifying asset placed in service during the calendar year and then depreciate the remaining 40 percent cost of the property over the asset's useful life.

Taking an immediate deduction on an eligible asset can be a great advantage for some businesses by significantly reducing taxable income and thereby reducing your overall tax liability. With the clock ticking, it may be the perfect time to reconsider any equipment needs and whether accelerating the timing of your purchase makes sense.

Smart Money Management Tips

By Richard J. Gilmartin, CPA, Principal

Small steps can lead to big improvements in monetary habits. In this article we will share best practices regarding your finances that can be beneficial for both businesses and individuals.

Pay Yourself First

Financial advisors suggest that people should begin funding their retirement accounts as soon as they start working. The compounding effect will allow your balance to grow exponentially over time. Individuals that delay funding their retirement are always playing catch-up with those who began saving immediately. Many employers will match a percentage of

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Take the Leap into QuickBooks Ledger

By Jeanine M. Bombard, Accounting Analyst, & Debbie A. Chrzanowski, CPA, Accounting Services Manager

Introducing a new cost-effective solution that was designed for accountants by accountants for clients to use! QuickBooks Ledger is an ideal solution for small businesses, particularly those transitioning from the desktop version to cloud-based accounting.

Key features and benefits

1. **Affordability**: Priced at $10 per month, QuickBooks Ledger is cost-effective for small businesses, removing the barrier of high costs associated with more comprehensive accounting solutions. It is ideal for businesses looking to manage their finances without paying for features they may not need.
2. **Accountant Collaboration**: Available exclusively through accountants, QuickBooks Ledger facilitates real-time collaboration. This allows accountants to provide ongoing support, address queries promptly, and maintain accurate financial records throughout the year, keeping up rather than catching up.
3. **Cloud-Based Convenience**: Moving to the cloud offers businesses accessibility and flexibility in managing financial data on the go. Automation of transaction imports eliminates the need for data entry.
4. **Focused Features**: QuickBooks Ledger includes essential functionalities, such as banking and credit card connections, financial statement preparation, and 1099 tracking. These streamlined features are tailored to meet the core needs of small businesses.
5. **Scalability**: As businesses grow or their needs change, QuickBooks Ledger allows for easy upgrades to higher sub-scription levels with additional features. This scalability ensures that businesses can adapt their accounting solutions without disruption.

Conclusion:

QuickBooks Ledger offers simplicity, efficiency, and cost-effectiveness tailored to the specific needs of small businesses. By focusing on essential features and enabling seamless collaboration between businesses and accountants, it aims to streamline financial management and support business growth.

Smart Money Management Tips, *continued*

employee deferrals to their retirement account. Employer matches should always be fully utilized.

Have a Reserve Fund

We all know that we need to set aside money as a reserve for any unexpected events. One rule of thumb is to have the equivalent of six months of expenses built-up as a cash reserve. Keep in mind that with today's interest rates at a decades high level, money market accounts and certificates of deposit may allow you to earn significant interest on your cash reserve balance, so be sure to look at options to enhance your savings.

Budget and Track Expenses

To build up a six-month reserve fund, you first need to know what your expenses are. The easiest way to understand your expenses is to create a budget, both short-term (i.e., monthly) and long-term (i.e., six to twelve months). Tracking where your money is spent can be an eye-opening experience. You may find that you are incurring unnecessary expenses that can easily be eliminated with no detriment to your business or personal situation.

Manage Debt

As CPA's, we see all types of financial situations. What has clearly stood out over my years of experience in public accounting is that the "ultra-successful" businesses and individuals are those that carry minimal to no debt. Being debt free offers tremendous financial flexibility. This includes the ability to take advantage of opportunities that may arise, such as purchasing a new piece of equipment to enhance business operations; or for an individual, such things as making a home improvement or replacing a worn-out vehicle. If you do carry debt, consider paying off high interest rate debt first and look to consolidate debts at a lower interest rate.

Plan for the Future

Throughout one's work life, income is likely to fluctuate, so financial planning is a continuous process. Major life events, such as getting married, having children, funding college, and incurring unexpected health care costs could have a significant impact on your financial plan and can often be unpredictable. Therefore, your financial plan must be adaptable and monitored regularly.

A "habit" is defined as something done often in a regular and repeated way. Developing good monetary habits will make a significant difference in your finances and positively impact your life.

NYS Secure Choice Savings Plan

By Melissa S. Howell, CPA, Principal

Several years ago, New York State enacted a law to make the Secure Choice Savings Plan (SCSP) mandatory for certain employers. Secure Choice is a retirement savings plan for private-sector employees who are not offered a retirement plan through their workplace, which will encourage more people to save for retirement. The law provides that an employer must set up payroll deposit IRAs for its employees within nine months of the date that Secure Choice opens for enrollment, which is expected to "go live" at some future date.

Employers required to participate include:

- Those engaged in any trade or business activity in NYS, whether private sector or non-profit;
- Those with at least 10 employees at all times in NYS during the previous calendar year;
- Those that have been in business for at least two years; and
- Those that have not offered a qualified retirement plan in the preceding two years.

For those employers who are required to participate, their duties are designed to be purely administrative and all costs of

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IRS Announces Hurricane Debby Tax Relief for Affected States

By Michele Loretto, CPA, Senior Manager

The IRS announced on August 9, 2024, that tax relief is available for individuals and businesses in specific counties in North Carolina, South Carolina, Georgia and Florida affected by Hurricane Debby. The IRS updates eligible disaster relief locations on its "Tax relief in disaster situations" web page. Full information about this IRS relief may be found in the IRS website here, including information about the postponement of various IRS filing deadlines such as tax returns, quarterly estimated income tax payments, and quarterly payroll and excise tax returns. The IRS will work with any taxpayer who lives outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area. Taxpayers qualifying for relief who live outside the disaster area need to contact the IRS at 866-562-5227.

Estate Planning and Preparing for 2026 Changes

By Lisa A. Mrkall, CPA, MBA, Partner

When most people hear the words "estate planning," they typically tune out the information that follows, assuming this process applies only to the ultra-wealthy. Contrary to common thinking, the benefits of estate planning are not at all exclusive to this group. Most, if not all individuals and married couples should consider estate planning in a broader sense as a part of their future tax plan.

What is estate planning?

Estate planning is setting goals and objectives and developing strategies for disposing of assets and providing for family members, friends, and charities at death. It applies to anyone who owns property or has money or investments, as all contribute to one's estate. Estate planning includes tax planning as well as non-tax considerations.

Estate planning is an increasingly important topic due to our current political landscape and the upcoming presidential election. The potential change of administration and control of Congress could lead to changes in the Internal Revenue Tax Code. There is considerable attention being paid to the current federal estate and gift tax lifetime exemption of $13.61 million, as it is set to sunset on December 31, 2025. This means the exemption will revert to the $5 million amount from 2010, but adjusted for inflation or around $7 million, something a Democratic candidate is likely to support. Additionally, there are talks of increasing the top marginal income tax rate and taxing capital gains as ordinary income for high earners. On the other side of the aisle, former President Donald Trump proposes extending the current gift and estate tax exemption.

We also want to direct our attention to the mid-affluent-individuals and married couples poised for significant asset growth. Based on the average annual return of the S&P 500 of 7.3 percent, an estate's value could double every decade, essentially shifting what is currently a nontaxable estate to a taxable estate.

Such uncertainty provides for a wide variety of estate planning scenarios. It is crucial to act soon and prior to December 2025 in the event the current gift tax and estate exemptions are reduced. There are significant considerations and planning that will need to take place. We urge you to consider planning, not based on where the estate stands today, but where the estate will likely be in the future. Reach out to your Tronconi Segarra & Associates advisor today.

NYS Secure Choice Savings Plan, continued

administering the plan are to be absorbed by the state. Employers must provide Secure Choice information and documentation to all employees, must process employee enrollment elections, must implement payroll deductions on a Roth after-tax basis, and must automatically enroll all employees that do not make an enrollment election. The employee's after-tax payroll deductions must be equal to 3 percent of gross pay, unless the employee affirmatively opts-out of the program or voluntarily chooses a contribution percentage that is more or less than the 3 percent.

The employer is responsible for remitting payroll deductions to a state-approved Roth IRA for the employee. Guidance is yet to be issued regarding the process for remitting deposits and to what degree the employer will be responsible for ensuring participant compliance with IRS rules and regulations. The Roth individual retirement accounts under Secure Choice are designed to be portable such as they follow employees around if and when they change jobs.

In September 2023, NYS selected the Secure Choice vendor, Vestwell, and announced four limited investment options that participants will have to choose from. There is still no definitive date as to when NYS will open enrollment, and there are many questions surrounding the program that remain unanswered. Tronconi Segarra & Associates will provide additional details as more information becomes available.