

- P2 Year-End Tax Planning Considerations
- P3 Tax-Advantaged 529 Plans
- P4 Important Updates: Affordable Care Act Reporting & Employee Affordability

**Included in this issue – our annual Payroll Tax and Form 1099 Updates!**



*Wishing You a Warm & Happy Holiday Season!*

Small Business Services Group

**TRONCONI SEGARRA  
& ASSOCIATES, LLP**

Certified Public Accountants  
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

**“Don’t be afraid to go out on a limb. That’s where the fruit is.”**

*Frank Scully, American journalist, author, humorist and a regular columnist for the entertainment trade magazine, Variety. 1892 - 1964*

## *Beneficial Ownership Information Reporting Requirement Begins*

*By Richard J. Gilmartin, CPA, Principal*

The Corporate Transparency Act (CTA) was enacted into law as part of the National Defense Act for Fiscal Year 2021. The CTA is not part of the tax code. Instead, the CTA is part of the Bank Secrecy Act, a set of federal laws with the intent to help U.S. law enforcement combat money laundering, the financing of terrorism and other illicit activity. The CTA requires the disclosure of “Beneficial Ownership Information” (known as “BOI”) for certain business entities and their owners or persons with control over the business. It is anticipated that over 32 million businesses will be required to comply with this new reporting requirement related to corporate governance.

All U.S. domestic and foreign entities, including corporations and limited liability companies (LLCs), that have filed formation or registration documents with any U.S. State are required to report BOI, unless specifically exempted. Specific exemptions apply to various business types

that are already heavily regulated by the government. Those exemptions include publicly traded companies, banks and credit unions, securities brokers and dealers, public accounting firms, and tax-exempt entities, among others. Also exempt are “large operating entities” that employ more than 20 people in the U.S., have reported gross revenue of over \$5M on the prior year’s tax return and are physically present in the U.S.

The BOI filing will be made directly and electronically with the U.S. Department of the Treasury Financial Crimes Enforcement Network (FINCEN). New entities created or registered after December 31, 2023 must file within 30 days of creation or registration. Existing entities created or registered before January 1, 2024 must file by January 1, 2025. The information that will need to be reported includes the full legal name of the reporting company and any trade or DBA names, business

*Continued on Page 3*

### SMALL BUSINESS MANAGEMENT TEAM

- Michael B. Dolan, CPA, Partner
- Carol G. Salvatore, CPA, Partner
- Diane M. Straka, CPA, Partner
- Scott A. Cain, CPA, Partner
- Anthony J. Bonaventura, Jr., CPA, Partner
- Richard J. Gilmartin, CPA, Principal
- Melissa S. Howell, CPA, Principal
- Lisa A. Mrkall, CPA, MBA, Principal
- Mary L. Shetler, CPA, CFE, Principal
- Joseph M. Becht, CPA, CGMA, Senior Mgr.
- Karen K. Belzile, CPA, MBA, Senior Manager
- Carrie S. Lindquist, CPA, Senior Manager
- Melissa Wasieczko, CPA, Senior Manager
- Michele A. Loretto, CPA, Manager
- Michael P. Zeoli, Jr., CPA, Manager

## BOTS FOR IRS CUSTOMER SERVICE?

By Karen K. Belzile, CPA, Senior Manager

Yes, you read that right! This is exciting news for taxpayers and tax professionals who need to reach out to the IRS.

As the IRS continues to progress, they are now focusing more on using technology to help taxpayers get answers to their questions quickly and easily and improving the customer experience in such a way that is cost-effective, saves time, can be available 24/7 without much effort, and reduces customer wait times.

The IRS now has voice and chatbots to help taxpayers with a wide range of issues, including securing account transcripts, getting answers to questions about balances due and getting help from the Taxpayer Advocate Service. Whether people call the IRS or visit online, there are self-service options available around-the-clock. During business hours, many of the IRS voice and chatbots provide an option to connect with a live assistant if needed.

Recently, the IRS also announced availability of expanded chatbot technology to help people get answers to basic questions they may have when they receive notices about possibly underreporting their taxes. The new chatbot feature will assist taxpayers who receive notices [CP2000](#), [CP2501](#) and [CP3219A](#). These mailings inform taxpayers if the tax information the IRS received from third parties doesn't match the information they provided to the IRS.

The IRS has stated that it plans to continue additional bot technology features in the future. When chatbots at the IRS call center help taxpayers get their issues resolved quicker, it helps free-up valuable phone resources for other taxpayers and tax professionals with questions on more complex issues.

## Year-End Tax Planning Considerations

By Joseph M. Becht, CPA, Senior Manager

As we approach the end of 2023, it would be a good time to evaluate some year-end planning strategies that could reduce or mitigate your overall individual tax burden for the year. For those taxpayers that itemize deductions, you garner the most flexibility to accelerate write-offs, thus deferring taxable income.

### Considerations for itemizers:

**State and local taxes (SALT)** – The maximum deduction allowed for taxes paid is \$10,000. If you are below this \$10,000 cap, you might consider prepaying your NYS quarter 4 estimated tax payment or NYS County property tax bill before December 31<sup>st</sup> to accelerate the deduction.

**Mortgage interest** – To claim an additional month of mortgage interest, consider paying your January 2024 mortgage payment before the end of 2023.

**Medical expenses** – Medical expenses are only deductible to the extent that they exceed 7.5 percent of adjusted gross income (AGI). If you are near this threshold, consider accelerating appointments or filling prescriptions before the end of the year.

**Charitable contributions** – If you intend to make any last-minute charitable contributions, make sure that the check is in the mail before year-end. Any contributions made by credit card are generally deductible in the year

charged. You might also consider purging any household items that have accumulated such as unused clothing or furniture by donating the items to a qualified charity or local thrift store.

### Other planning considerations:

**Electric vehicles (EV) credits** – If you bought a new or used EV, you may qualify for a credit up to \$7,500 or \$4,000, respectively. To be eligible:

- The manufacturer's suggested retail price cannot exceed \$55,000 for sedans and \$80,000 for pickup trucks, SUVs, and vans.
- Your modified adjusted gross income cannot exceed \$300,000 for married filing joint filers, \$250,000 for head of household filers, and \$150,000 for single filers.
- For EV's purchased in 2024, you have the option to monetize the tax credit whereby you transfer the EV credit to the dealership when purchasing the vehicle, which in effect reduces the purchase price.

### Retirement Plans

- If 2023 is your first required minimum distribution (RMD) year, you have the option to take the RMD in the next year by April 15, 2024. Keep in mind that you will still need to take your 2024 RMD as well, by the end of 2024.
- If you participate in an employer-sponsored 401(k) plan, consider maximizing your

Continued on Page 5

## Tax-Advantaged 529 Plans

By Melissa S. Howell, CPA, Principal

One of the most popular tax-advantaged plans available is a 529 savings plan designed to encourage saving for future college costs for a designated beneficiary, such as a child or grandchild. This type of plan is available to all taxpayers regardless of their income. Below are a few important reminders about the benefits these plans offer:

- Contributions to a 529 plan are not currently deductible on your federal tax return, however the earnings from the plan are tax-deferred for both federal and state taxes.
- New York State taxpayers can deduct up to \$5,000 (\$10,000 if married filing jointly) in contributions to a New York State 529 plan on their state individual income tax return each year.
- Only contributions made by the account owner, or if filing jointly, by the account owner's spouse, are tax deductible.
- To claim a deduction on your 2023 New York State individual tax return, contributions to a New York State 529 plan must be made on or before December 31st.
- Distributions from a 529 plan are tax-free if used to pay for qualified college education expenses, including: tuition, certain room and board expenses, books and supplies. Distributions up to \$10,000 per designated beneficiary may be used for private K-12 tuition. A life-time of \$10,000 per beneficiary can be used to repay student loans.
- The account owner retains control of the funds (not the beneficiary), even after the beneficiary reaches legal age. The account owner can change beneficiaries at any time and for any reason. Age and income restrictions do not apply to the account owner or beneficiary unlike other education plans.

- A taxpayer is not limited to just the plans offered by the state in which they reside. You can change your choice of plan every 12 months and rollover plan funds to a new plan that provides more investment options and higher contribution ceilings. However, contributions to other state plans are not considered a deduction for New York State income tax purposes.
- Beginning in 2024, beneficiaries of 529 college savings accounts are permitted to make up to a \$35,000 direct trustee-to-trustee rollover from a 529 account to a Roth IRA without tax or penalty. The 529 account must have been open for at least 15 years and the rollover is limited to the amount contributed and its earnings more than five years earlier. Rollovers are subject to the IRA annual contribution limits, which is \$6,500 in 2024, with an extra \$1,000 catch-up allowance for taxpayers over 50.

## Make Tax Season Easier For All

By Anna M. Lavocat, General Ledger Specialist

With another tax season fast approaching, now is the time to take a look at your books and records to determine what needs to be done to prepare for year-end. Consider the following questions:

1. **Is my general ledger up-to-date and are my cash accounts reconciled?**  
Hopefully your answer is yes, but if not, begin going through your general ledger by comparing it to your monthly bank transactions. Make sure all the checks issued throughout the year have cleared, all customer invoices created have been paid, and that your general ledger matches the bank statement with the exception of any outstanding transactions. It should be a best practice to identify and correct any discrepancies throughout the year to minimize the time spent at year-end.
2. **Are all of my transactions categorized correctly?**  
If you collect sales tax, be sure to record this part of your payment to a sales tax liability account. If you have employee payroll, be sure you differentiate between the wage portion and the employer's share of payroll taxes. These expenses should be recorded in separate accounts so that your accountant can easily identify them for reconciliation and tax presentation purposes.

*Continued on Page 5*

## Beneficial Ownership Information, *continued*

address, state of formation or registration, and taxpayer identification number. In addition, each reporting company must report for its beneficial owners their name, birthdate, address and submit an acceptable form of identification, such as a driver's license or passport. A beneficial owner is defined as any individual who owns at least 25 percent of the reporting company or exercises substantial control over the reporting company (for example, a non-owner President or CEO).

Penalties for willful failure to comply with the BOI reporting requirement can result in criminal and civil penalties of \$500 per day up to \$10,000, with up to two years of jail time.

For more details, please visit FINCEN's website at: [www.fincen.gov/boi](http://www.fincen.gov/boi). As always, planning ahead can help you comply with and understand your corporate governance reporting obligations.

## Important Updates: Affordable Care Act Reporting & Employee Affordability

By Lisa A. Mrkall, CPA, MBA, Principal

As 2023 comes to a close, the ACA Compliance Team at Tronconi Segarra & Associates is once again ready to assist with the reporting associated with the ACA employer mandate. If your business employed 50 or more full-time employees during 2023 (including full-time equivalents), you may be subject to the ACA 1094 and 1095 reporting requirements, whether fully-insured or self-insured.

Employers subject to the mandate must furnish Form 1095 to their full-time employees no later than March 4, 2024. These employers are also required to file the applicable forms with the IRS no later than February 28, 2024 if prepared & filed manually or by April 1, 2024 for electronic filers.

Certain states continue to impose similar reporting mandates requiring reporting on the coverage offered to employees that reside in California, New Jersey, Rhode Island and Washington DC. Massachusetts and Vermont's individual mandates require residents to self-report coverage on their individual tax returns.

There are two important ACA changes to note:

- 1) In 2023 under the Taxpayer First Act, the IRS lowered the electronic filing threshold down to 10 forms, including employment tax returns and information returns, such as W-2s and 1099s. Organizations filing 10 or more IRS returns of any kind in aggregate are now

required to file almost all returns electronically, including the 2023 ACA Forms 1094 and 1095.

- 2) The other change pertains to the 2024 ACA affordability percentage, which is used to determine the threshold at or below which the cost of coverage will be considered affordable. Generally, coverage offered to a full-time employee is considered affordable if the employee's contribution for self-only coverage doesn't exceed 9.12% for 2023 of the employee's household income for the taxable year. Because employers have no actual knowledge of their employees' household incomes, the rules provide for three affordability safe-harbors:

- Employee's Form W-2 wages
- Employee's rate of pay
- The federal poverty guidelines for a single individual

For 2024, the affordability percentage decreased to 8.39% for all three safe-harbors. An employer may use one or more of these safe-harbors for all employees or any reasonable category of employees, as long as it is applied uniformly and consistently. What this means for employers in 2024 is that they may need to shoulder more of the cost of self-only coverage offered to full-time employees to avoid the employer mandate penalty.

### TOOLS, TIPS AND TIDBITS

By Michele Loretto, CPA, Manager

#### Tax Year 2023 Key Amounts

##### Standard Deduction:

- Married filing jointly — \$27,700
- Married filing separately — \$13,850
- Head of household — \$20,800
- Single — \$13,850

##### Additional for Elderly (over age 65):

- Married filing jointly — \$1,500
- Single — \$1,850

##### Child Tax Credit:

- Credit — \$2,000
- Maximum refundable — \$1,600
- Phase-out — MFJ \$400,000, Single \$200,000

##### Other Dependents:

- \$500 (nonrefundable credit)

##### Standard Mileage Rates:

- Business — 65.5¢ per mile
- Medical or moving — 22¢ per mile
- Charitable — 14¢ per mile

#### Tax Year 2024 Key Amounts

##### 401(k) Contribution: \$23,000

- Age 50 and older catch-up — \$7,500

##### IRA (Traditional & Roth):

- Maximum contribution — \$7,000
- Age 50 and older catch-up — \$1,000

##### Health Savings Accounts (HSA):

- Individual contribution limit — \$4,150
- Family contribution limit — \$8,300
- Additional \$1,000 if age 55 or older

##### Flexible Savings Accounts (FSA):

- Individual — \$3,200
- Child Care — \$5,000

##### Social Security Wage Base: \$168,600

##### NYSSUI Wage Base: \$12,500

##### Gift Tax Exclusion: \$18,000

## Year-End Tax Planning Considerations, *continued*

annual contribution. For 2023, the maximum contribution is \$22,500 with an additional catch-up of \$7,500 if you are 50 years or older.

For an IRA, you can contribute up to \$6,500 with an additional catch-up contribution of \$1,000 if you are 50 years or older.

### Investments – Capital Losses

On your tax return, capital losses are netted against any capital gains. If you have a remaining net capital loss, you may offset up to \$3,000 against other income in any given year. Any excess capital loss not absorbed can be carried forward to the next year.

Consider evaluating your investment portfolio activity near-year end to determine if you will have any net taxable capital gains. If so, you might consider selling some of your losing stock positions to generate capital losses to offset those gains. While considering which dud stocks to sell, it is important to watch out for stock losses that would be designated as “wash sales,” which cannot be written off. A wash sale is when you purchase substantially identical securities up to 30 days before or after the sale. This loss is added to the tax basis of the replacement securities and will not generate a capital loss for that year.

Withholdings – If you expect to owe taxes when you file your 2023 tax return, you might consider increasing your withholding taxes for the remaining part of the year.

Short-term tax-free rental of your home – If you rent your personal residence or a vacation home for 14 days or less during the year, the rental proceeds received are not taxable on your return.

Utilize your annual gift tax exclusion – You are allowed to gift a person up to \$17,000 (\$34,000 for married couples), with no gift taxes due, no gift tax return required to be filed and no reduction in your lifetime estate tax exemption. In addition, the recipient receives the gift tax-free.

Fund college savings plans – You can contribute up to \$85,000 per beneficiary in 2023 (\$170,000 for married couples) to a 529 college savings plan and avoid gift tax. If you choose to contribute the maximum amount, the contributions would be treated as gifts to the beneficiary \$17,000 (\$34,000 for married couples) annually for five years (2023 through 2027). It is important to note that New York State only allows you to deduct up to \$5,000 per year (\$10,000 for married couples) in contributions to a NYS 529 college savings plan, but contributions must be made before December 31<sup>st</sup>.

*Contact your Tronconi Segarra & Associates advisor for more information on this matter.*

## IN THE SPOTLIGHT – KATHERINE LITTLE

Katherine joined Tronconi Segarra & Associates just over a year ago as a General Ledger specialist helping clients with their book-keeping needs such as reconciling and reviewing their books.



Accounting is a second career for Katherine. Prior to joining Tronconi Segarra & Associates, she was a surgical technician, a career she trained for at Niagara County Community College.

Traveling is a favorite pastime of Katherine's, and traveling to a beach is something she really looks forward to. Two of her favorite beaches to visit are Cape Cod, MA, and Myrtle Beach, SC. Katherine hopes to travel to the beaches of Hawaii one day. Alaska is another dream destination. Until then, Katherine says her husband has gotten her hooked on hunting and fishing. Their family loves to be outdoors hiking and riding 4-wheelers.

Katherine has been married for 15 years. She and her husband are raising three children who keep them very busy. Katherine enjoys helping out at her church, and she teaches a children's class there and helps in the nursery.

As if her days weren't busy enough, Katherine enjoys finding time to play the piano.

We are happy to have Katherine as part of the Tronconi Segarra & Associates General Ledger Specialist Team!

### *Easier Tax Season for All, continued*

**3. Are my deductions able to be properly substantiated?** To claim a deduction, you must be able to substantiate the expense with supporting documentation such as an invoice or receipt. Proper recordkeeping is essential throughout the year so that requested information is readily available upon request from your accountant.



## **PAYROLL TAX REMINDERS**

### **NYS PAID SICK LEAVE:**

New York's paid sick leave law requires employers to provide up to 56 hours (7 days) of paid sick leave to employees. This requirement is based on the employer's number of employees and net income. For example, employers with 5 to 99 employees must provide up to 40 hours of paid sick leave per calendar year. Additional details available on the NYS website at: <https://www.ny.gov/programs/new-york-paid-sick-leave>

### **NYS PAID FAMILY LEAVE:**

In 2023, eligible employees can take up to 12 weeks of paid family leave (PFL). These benefits have been extended now to domestic workers who were hired directly by private homeowners. These employees must be working 20 or more hours a week and have been employed by the private homeowner for 26 consecutive weeks. Employees taking paid family leave will receive 67% of their average weekly wage (AWW), up to a cap of 67% of the current New York State Average Weekly Wage (NYSAWW) of \$1,688.19. The maximum weekly benefit for 2023 is \$1,131.08. For 2024, the NYSAWW is \$1,718.15, which means the maximum weekly benefit is \$1,151.16.

In **2023**, the contribution is **0.455%** of an employee's gross wages each pay period. The maximum annual contribution is \$399.43. Employees earning less than the current NYSAWW of \$1,688.19 will contribute less than the annual cap of \$399.43, consistent with their actual wages.

For **2024**, the contribution rate goes down to **0.373%** of employee's gross wages, capped at an annual maximum of \$333.25. Also new is the list of family members a worker can take Paid Family Leave which will now include siblings with a serious health condition. Additional details available on the NYS website at: <https://paidfamilyleave.ny.gov/2024>.

### **OVERTIME RULES FOR EXEMPT EMPLOYEES:**

New York State salary thresholds for exempt employees are as follows. Administrative and executive employees, located outside of New York City and downstate counties, must earn **\$1,064.25** per week to be exempt from overtime pay, in 2023. The exempt salary provisions provide scheduled annual increases for New York employees. More information can be found at:

<https://dol.ny.gov/system/files/documents/2023/04/minimum-wage-ppt-for-2022-4-5-23.pdf>.

## **DUE DATES FOR W-2s:**

The due date for filing 2023 Forms W-2 and W-3 with the Social Security Administration (SSA) is January 31, 2024. This is the same date that W-2 forms are due to the employees. Extensions of time to file Form W-2 with the SSA, for a period of 30 days, can be obtained by filing Form 8809. However, the IRS will only grant this extension in extraordinary circumstances or catastrophe.

The IRS has also increased penalty amounts for failing to file and furnish correct W-2 forms by the due date. Instructions for Forms W-2 and W-3 are available on the IRS website at: [www.irs.gov/pub/irs-pdf/iw2w3.pdf](http://www.irs.gov/pub/irs-pdf/iw2w3.pdf).

## **ADDITIONAL REMINDERS:**

- § It is very important to *NOT IGNORE* any information received from your payroll processing company regarding year-end processing. This will help them to prepare complete and accurate W-2s for your employees. It is costly to prepare the W-2 and year-end reports a second time.
- § When preparing 2023 W-2 forms or providing your payroll company with W-2 information, be sure to include all the taxable income and benefits an employee earns. Examples are:
  - Personal use of a company vehicle.
  - Health insurance and dental and long-term care premiums paid on behalf of a greater than 2% S-corporation shareholder (exempt for FICA and FUTA).
  - PS-58 cost for group term life insurance benefits in excess of \$50,000.
  - Dependent care benefits.
  - Employee pension information.
- § Be sure to include disability income (third-party sick pay) an employee earns. It is important to report this information to your payroll processing company before year-end to be included in fourth-quarter reports and W-2s.
- § FICA (Social Security) withholding rates remain unchanged at 7.65%, comprised of 6.2% for Social Security and 1.45% for Medicare. The employer is required to contribute a matching amount when making the tax deposit. The self-employed rate also remains at 15.3%, comprised of 12.4% Social Security and 2.9% Medicare. The maximum amount of taxable annual earnings subject to the Social Security tax and self-employment tax is \$160,200 for 2023, increasing to \$168,600 for 2024. All earnings are subject to the Medicare tax.
- § Additional Medicare Tax: Employees are also subject to a 0.9% additional Medicare tax on all wages and self-employment income in excess of **\$200,000** for single filers and **\$250,000** for joint filers.



- § The minimum-wage rate for New York State employees, outside of NYC and Long Island, for 2023 is \$14.20 per hour, increasing to \$15.00 January 1, 2024.
- § The minimum wage for tipped food-services workers is **\$9.45** per hour if they earn \$4.75 per hour in tips. This increases to **\$10.00** per hour if they earn \$5.00 per hour in tips.
- § Overtime for tipped workers is calculated at time-and-one-half the minimum wage rate, less the applicable tip credit. For example, the overtime rate for tipped food services workers is **\$16.55** [(\$14.20 x 1.5) – \$4.75] per hour, increasing to **\$17.50** [(\$15.00 x 1.5) – \$5.00] per hour on December 31, 2023.
- § Minimum wage for fast-food employees in NYS is **\$15.00 per hour**.
- § Effective December 31, 2022, minimum wage for home care aide employees, outside of New York City, is **\$16.20** per hour (\$2.00 above basic minimum wage). This will increase to \$17.55 on January 1, 2024.
- § More information on New York minimum wage rates can be found at: <https://dol.ny.gov/minimum-wage-0>.
- § The amount that can be deducted per week for disability insurance remains at .005% of gross wages with a maximum of \$.60 per week.
- § The Federal unemployment base wage will remain at **\$7,000** for taxable wages. The federal unemployment rate is .006%.
- § The New York State unemployment wage base is **\$12,300** and **\$12,500** for 2023 and 2024, respectively. New York will be notifying you of your 2024 unemployment rate around February 1, 2024. If you use a payroll service such as ADP or Paychex, be sure to send them this notification.
- § All new employees will need to complete and return to you:
  - **W-4** form for federal withholdings.
  - **IT-2104** form for New York state withholdings.
  - **Form I-9** –Employment Eligibility Verification. Be sure that you are using the current revision of this form with an expiration date of July 31, 2026. Current version can be obtained at <https://www.uscis.gov/i-9>.
  - You are also required to provide all new employees with the **New York State Notice and Acknowledgement of Pay Rate and Payday**.
- § **Federal tax deposits:** If you are NOT using a payroll service for payroll tax deposits, you will need to enroll your business and make payments electronically. Information on Electronic Federal Tax Payment System (EFTPS), including how to enroll, can be found at <https://www.eftps.gov/eftps> or by calling EFTPS Customer Service at 1-800-555-4477.

## **FORM 1099 UPDATES & REMINDERS**

### **NEW: E-FILING THRESHOLD LOWERED FOR INFORMATION RETURNS, AND A NEW ELECTRONIC INFORMATION RETURNS INTAKE SYSTEM**

*Beginning with tax year 2023, for anyone needing to file 10 or more information (IRS Form 1099) returns, paper-filing is no longer permitted; these forms must now be filed electronically. This may include Forms 1099-MISC, 1099-NEC and 1099-INT, which are some of the more common types of information returns filed.* Tronconi Segarra & Associates prepares information returns and submits all filings electronically and will continue to offer this service to our clients.

However, for those that prefer to self-prepare information returns, the Internal Revenue Service (IRS) has launched a new system to help facilitate the electronic filing requirement. Taxpayers can now register to file through *IRIS, the Information Returns Intake System*. The IRIS system is a free service through the IRS that allows taxpayers to electronically file required information returns. It allows taxpayers to submit up to 100 records per upload and to also file corrected 1099 forms. The system is available to individuals, businesses regardless of size and governmental agencies. IRIS can also be used to submit late returns for years prior to 2023 that are above the electronic filing threshold.

Users of the IRIS system must apply for a Transmitter Control Code (TCC) before filing Forms 1099 on the system. The IRS will review each application and supply a written confirmation as to acceptance into or rejection for the program. Typical applications will be processed within 45 business days, but may take longer depending upon demand.

We recommend that any taxpayer that intends to self-prepare these forms for the coming 2023 tax filing apply now for the TCC, create an IRS online account (if you do not currently have one), and review the IRIS tutorial to become acclimated with the system. With the January 31, 2024 filing deadline quickly approaching for information returns, the process should be initiated soon to ensure access is readily available.

### **NEW 1099-K REQUIREMENTS:**

Payments of more than \$600, made with a credit card or payment card and certain other types of payments, including third-party network transactions, must be reported on Form 1099-K by the payment settlement entity. Prior to 2023, Form 1099-K was issued when the number of transactions exceeded 200 for the year and the dollar threshold exceeded \$20,000. Now, any transaction over the \$600 limit will require a 1099-K filing. Note that these payments are not subject to reporting on Form 1099-MISC.

Money received through third-party payment applications from friends and relatives as personal gifts or reimbursements for personal expenses are not taxable.

## **DUE DATES:**

Form 1099-NEC must be filed with the IRS on or before January 31, 2024, using either paper or electronic filing procedures. Form 1099-MISC should be filed with the IRS by February 28, 2024, if paper filed, or March 31, 2024, if filed electronically.

Note: All 1099s are due to the recipients by January 31, 2024.

## **ADDITIONAL REMINDERS:**

Confirm that all ID numbers and Social Security numbers are accurate before completing/issuing any 1099s.

The IRS can charge a penalty from \$60 to \$310 per form, depending on the time period past the deadline for issuing the form. If the non-filing or incorrect filing is intentional, the IRS can levy a minimum penalty of \$630 per form or up to 10% of the income reported on the form.

The Internal Revenue Service requires anyone engaged in trade or business to file Form 1099. A Form 1099 must be filed for each person to whom you have paid during the year:

- § At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest.
- § At least \$600 in rents, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, section 409A deferrals, nonqualified deferral compensation, and generally, the cash paid from a notional principal contract to an individual, partnership or estate.
- § Any fishing boat proceeds.
- § Gross proceeds of \$600 or more paid to an attorney; or
- § **Reportable Payments to Corporations** – In general, payments to corporations do not need to be reported on a 1099. However, the following payments made to corporations generally must be reported:
  - Cash payments for the purchase of fish for resale;
  - Medical and health care payments;
  - Gross proceeds paid to an attorney; and
  - Substitute payments in lieu of dividends or tax-exempt interest.

Tronconi Segarra & Associates offers E-file services for Form 1099s. Let us know if you would like us to E-file your Form 1099s.

As always, we are available to answer any questions you may have. Please do not hesitate to contact us.