

Important 2023 Year-End Tax Information

Dear Clients and Friends:

As we approach the end of another year, we want to thank our many clients and business associates for the trust you place in Strategis CPAs. We try very hard to earn it by providing you with the highest level of value we can. 2023 marks our 35th year in business and we want to express our gratitude for your support and the deep relationships we have developed with many of you. We enjoy working with you more than you know.

Each year the rules get more convoluted, limits change, deductions get missed and record keeping is overlooked until it is very late in the process. Hopefully, the information below will answer many of your questions and help you develop your own year-end checklist. Please call us if you have any questions or need clarification.

Beneficial Ownership Information Reporting under the 2021 Corporate Transparency Act (“CTA”) (This impacts most small businesses)

This new law is designed to help the government determine who truly owns shell companies which are often used to hide illegal activities. All entities formed with the secretary of state (LLC, S Corp, C Corp, etc) must file reports on the beneficial owners. A beneficial owner is anyone who owns 25% of the business or exercises substantial control over the entity. The report must be filed electronically with FinCEN and will require proof of identity for the owners (ie driver’s license, passport, social security card, etc.) Anytime one of these documents expires you will be required to file an updated filing with the new expiration date.

Virtually all our business clients are going to be impacted by this. To many accounting professionals this is another heavy-handed government information collection tool laid on the back of hundreds of thousands of small businesses to identify a small number of bad actors that are laundering money and funding terrorism, and the US Treasury is not getting their fair share. This intrusive and expensive reporting regime will somehow magically cause the worst criminals to miraculously change their behavior. What it does is create another reporting burden on small business owners by adding **Civil penalties of up to \$500 per day** and **Criminal penalties of \$10,000 or two years of imprisonment for non-compliance**. It is impossible to explain this in adequate detail in this letter. We will send a separate e-blast providing an overview which we will also post on our website. If you want to familiarize yourself with your **reporting requirement which begin January 1, 2024**, here is a [link](#) to the **57-page Small Entity Compliance Guide for the Beneficial Ownership Information Reporting Requirements** version 1.1 updated December 2023. Additional information on this topic is available [here](#).

Existing entities (created or registered before January 1, 2024), **must file by January 1, 2025**. **New entities** (created/registered after December 31, 2023) must file **within 30-days** (this has since been temporarily extended to **90-days**). Based on other past poorly thought-out regimes we will not be surprised if the reporting deadlines are extended at the very last minute after most law-abiding businesses have attempted to comply. But don’t count on this happening.

At this time, most interested parties believe if you require assistance complying with this reporting requirement **you will need to consult with your attorney**. While many states have not had time to address this issue, the expected outcome is this reporting regime requires interpretation of state law regarding “Who is a beneficial owner?” which is considered the practice of law. **Therefore, we will not be able to assist you with CTA reporting.**

Delivery of Individual Tax Questions, Client Organizers & Tax Returns

Individual Tax Questions, Engagement Letters, and Client Organizers-*only if requested* will be delivered to your **Liscio Tasks** the week of January 8. The **questions must be answered and returned with your signed engagement letter** before we can begin to prepare your tax return. Please let us know if you would like a copy of your complete Tax Organizer and we will be happy to provide a copy to you in Liscio.

Deadline for Tax Questions, Source Documents & Engagement Letters is Monday, March 18, 2024

We must receive all information necessary to complete your 2023 tax return by Monday, March 18, 2024, to have sufficient time to complete your individual tax return by the April 18 deadline. In addition to your source documents this includes your **completed and signed Tax Questions and your signed Engagement Letter**. **If we have not received all your information by this date, we will prepare an extension using the information you have provided to us at that time.**

Retirement Accounts

The contribution limit for IRAs has increased from \$6,500 in 2023 to \$7,000 in 2024, with an additional \$1,000 allowed for those 50 and over. For 2020 and later there is no age limit on making regular contributions to traditional or Roth IRAs.

If you have a Simple IRA Plan, the annual deferral limit increased from \$15,500 in 2023 to \$16,000 in 2024. The catch-up contribution limit for ages 50 and over has remains \$3,500 for both 2023 and 2024. **Be sure that employees that intend to match the limit have done so before year-end.** Also, be sure to double check the calculation of the employer’s 2% or 3% match.

If you are participating in 401(k), 403(b), most 457 plans, and the federal government’s Thrift Savings Plan, the contribution limit increased from \$22,500 in 2023 to \$23,000 in 2024. The catch-up contribution limit for employees aged 50 and over who participate in these plans remains at \$7,500 for both 2023 and 2024.

Required Minimum Distributions from Retirement Accounts when you Reach Age 72 (Previously 70 ½)

You cannot keep funds in your retirement accounts indefinitely. You generally must begin taking withdrawals from your IRA, SIMPLE IRA, SEP IRA, or retirement plan account when you reach age 72 (73 if you reach age 72 after December 31, 2022). [Roth IRAs](#) do not require withdrawals until after the death of the owner; beneficiaries of a Roth IRA are subject to the RMD rules. Designated Roth accounts in a 401(k) or 403(b) plan are subject to RMD rules for 2022 and 2023. However, for 2024 and later years, RMDs are no longer required.

The minimum amount you must withdraw from your account each year is called your **required minimum distribution** (“RMD”). You may withdraw more than the minimum required amount. Your withdrawals

will be included in your taxable income except for any part that was taxed before (your basis) or that can be received tax-free (such as qualified distributions from designated Roth accounts).

We recommend that rather than attempting to manually compute the amount of required distribution, you instead notify the custodian for each of your retirement accounts and request that they automatically distribute the RMD on a recurring basis so that the distribution is not inadvertently overlooked. **There are significant penalties if the RMD is not made.** See [here](#) for more information on RMDs.

Charitable Contributions

In 2023, taxpayers must return to itemizing their deductions on Schedule A to take a charitable tax deduction.

The rules regarding substantiation of the contribution have not changed. You must obtain a receipt for contributions less than \$250 and a written acknowledgement from the organization if the contribution is more than \$250. This written acknowledgement must include a statement that **“no goods or services were received in connection with your contribution.”** If this statement is not included, the **IRS will disallow** your contribution.

Social Security

The social security wage base will increase from \$160,200 in 2023 to \$168,600 in 2024. The employee FICA tax rate will remain the same at 7.65% in 2023 and 2024 and the self-employed tax rate will remain the same at 15.3% in both 2023 and 2024. The earnings ceiling for social security in 2023 are as follows:

- Under full retirement age will increase from \$1,770/mo in 2023 to \$1,860/mo in 2024;
- The year an individual reaches full retirement age will increase from to \$4,710/mo in 2023 to \$4,960/mo in 2024; and,
- Beginning the month an individual reaches full retirement (66 if born between 1943 and 1955 and no limit on earnings). See Knowing your “Full Retirement Age” [here](#) if you were born after 1955.

The earnings needed to earn one social security credit (quarter of coverage) will increase from \$1,640 in 2023 to \$1,730 in 2024. Therefore, 2024 earnings of \$6,560 will earn four credits. **Forty credits are required to maximize social security benefits. This is important for spouses that work part-time in closely held businesses.**

Health Insurance

The self-employed health insurance deduction (which applies to 2% or more S corporation owners) is 100% deductible for 2023 for regular tax purposes. However, special reporting is mandatory on your Form W-2 to qualify for the deduction.

If Strategis prepares your Forms W-2, you must provide us with the amount of health insurance premiums paid on your behalf by your S corporation by Friday, December 15, 2023, to ensure the proper amount is reported on your 2023 Form W-2. If we do not prepare your Forms W-2 and you use an outside vendor to prepare your payroll, you must provide this information to the payroll vendor usually before the date the last payroll of the year is processed.

We recommend that you contact your payroll vendor directly and in writing to avoid additional payroll fees to correct this after your Form W-2s are prepared.

S Corporation Shareholder Reasonable Compensation

One area that continues to receive heightened IRS scrutiny is reasonable compensation for S corporation shareholders. S corporations **must pay reasonable compensation** to a shareholder-employee in return for services that the employee provides to the corporation before non-wage distributions may be made to the shareholder-employee. The amount of reasonable compensation will never exceed the amount received by the shareholder either directly or indirectly.

The instructions to the Form 1120S, U.S. Income Tax Return for an S Corporation, state "**Distributions and other payments by an S corporation to a corporate officer must be treated as wages to the extent the amounts are reasonable compensation for services rendered to the corporation.**"

Several court cases allow the IRS to reclassify other forms of payments to a shareholder-employee such as shareholder distributions as a wage expense that is subject to [employment taxes](#).

Filing Forms 1099 is Mandatory and Must Be Disclosed on your Business Return (IRS is aggressively assessing penalties for late filing and failure to file 1099 Forms)

In the past payments of at least \$600 to attorneys, independent contractors, or directors, among others, were required to be reported on Form 1099-MISC. Other payments, such as rents, royalties, and prizes, were also reported in this same form but in different boxes. For the 2023 tax year **Form 1099-NEC** is required to be filed for all **non-employee compensation** payments. Payments that are **not** non-employee compensation will continue to be reported on Form 1099-MISC.

Any non-employee person or business that is not a corporation receiving a payment of \$600 or more from your business **should receive a Form 1099 from your business**. We recommend that you obtain a completed and signed [Form W-9 Request for Taxpayer Identification Number and Certification](#) **before** a payment for services is made.

Forms 1099-NEC for the 2023 tax year are required to be filed with the IRS on or before January 31, 2024, using either paper or electronic filing procedures. Forms 1099-MISC for the 2023 tax year are required to be filed with the IRS by February 28, 2024, if you file on paper, or April 1, 2024, if you file electronically. Both forms are required to be provided to recipients (payees) by January 31, 2024. (If you are reporting payments in box 8 or 10 of Form 1099-MISC, you have until February 15, 2024, to provide that form to recipients.) **However, if Strategis is preparing your Forms 1099 the due date is January 31 for all 1099s!!!**

Filing the necessary Form 1099s is especially important because all business tax returns now require management to indicate whether payments were made during the year that requires Forms 1099 to be filed. If this question is answered "Yes", the business must indicate whether they have filed or will file the required Forms 1099 by the due date. Answering the first question "Yes" and the second question "No" will result in significant penalties for late filing or failure to file the required Forms 1099 and will increase the risk of an IRS audit. We strongly encourage you to file any required Forms 1099 by the **January 31, 2024, deadline**. Please **contact us before year-end** if you need our assistance preparing Forms 1099.

If you do not have complete and accurate names, addresses and Federal Identification Numbers for all subcontractors before year-end, it is likely you will not be able to file your Forms 1099 by the January 31, 2024, due date. Additional fees will be charged for any time necessary to gather payee information. Contrary to the past, the IRS is aggressively assessing large penalties for failure to file and late filing of Forms 1099.

The Forms 1099 filing requirements are more expansive than most people think. For example, payments of \$600 or more to attorneys require a Form 1099 even if paid to a corporation. Additionally, rental payments of \$600 or more for office space also require filing a Form 1099.

Employee Gifts, Bonuses and Miscellaneous Payments

All gifts, bonus payments, trips, awards, or other miscellaneous payments to employees of more than \$25 must be treated as payroll and go through the payroll process. Normally these types of payments are subject to Federal, State (if applicable) and Social Security and Medicare Tax withholding. Since it is normally not possible to withhold tax from non-cash payments, you must “gross-up” payroll by making the net check equal to the amount of the non-cash payment. If you anticipate making bonus payments or non-cash payments, ***please contact us before the payment is made*** so we can assist you. Otherwise, it may result in a penalty for depositing the required withholding tax late.

Standard Mileage Rates

If you use a vehicle for business, **please record your odometer reading on December 31, 2023, and call us for an automobile worksheet which you will need to complete to report your business miles driven.**

The 2023 standard mileage rates are as follows for:

- Business - 65.5 cents per mile driven;
- Medical and moving - 22 cents per mile driven; and,
- Charitable - 14 cents per mile driven.

The 2024 standard mileage rates for business, medical, moving, and charitable miles driven were not available when this was written. They will be available on www.irs.gov when they are released.

If you plan to use your vehicle for business, we strongly recommend using one of the **mileage tracking apps** that are available for your mobile device. These apps tend to be easy to use. One app that tracks your daily driving lets you swipe the trips one direction for personal and the other direction for business. Notes can be added to the business trips to meet the IRS substantiation requirements.

IRS Requires Written Policy to Expense Tangible Property Costing Less than \$2,500

As of January 1, 2015, your capitalization limit for Federal income tax purposes is generally \$2,500, which means that each individual item of business property (computers, printers, furniture, etc.) with a purchase price of less than \$2,500 per item may be expensed. However, for Florida Tangible Personal Property Tax purposes, the limit is still \$500. Therefore, tangible personal property costing from \$0-\$499 may be expensed through office supplies. Items costing \$500-\$2,499 each should be expensed to a deminimis account. Please contact us if you do not have this account in your chart of accounts. These items will be reported on your tangible personal property tax return. We recommend having a written policy in your permanent records. If you do not have a written policy, a sample written **Capitalization Policy** is available on our website at

<https://www.strategiscpa.com/resources/forms-documents-and-links>. Select **Capitalization Policy** from **Client Forms**.

If you plan to make substantial repairs and maintenance to real estate during 2024, please contact us beforehand to make sure you can get the tax treatment that you are expecting.

Section 179 Expense and Bonus Depreciation

IRC Section 179 allows a special depreciation deduction for equipment that normally must be capitalized and depreciated. Certain tangible personal property up to the Section 179 limit can normally be expensed in the year purchased rather than recovering the cost using depreciation over a period of years. The Section 179 deduction limit has increased from \$1,160,000 in 2023 to \$1,220,000 in 2024. Also, the spending cap has increased from \$2,890,000 in 2023 to \$3,050,000 in 2024. This is the maximum amount that can be spent on equipment before the Section 179 deduction available to your business begins to be reduced dollar for dollar. The Section 179 deduction is limited to the taxpayer's aggregate taxable income derived from active conduct of all trades or businesses. Generally rental activities do not qualify to take advantage of Section 179. Special rules limiting Section 179 expense apply to most passenger vehicles.

Bonus depreciation decreased to 80% in 2023. Bonus depreciation is in addition to and calculated after taking any Section 179 expense.

2023 Tax Season Start Date

The IRS typically announces a date when they expect to begin accepting e-filed tax returns in early January of the next year. You can stay in the loop by checking [IRS News Releases](#).

Tax Return Filing Due Dates

2023 Forms **1099** and **W-2** must be filed by **January 31, 2024**. The payee and employee copies of these forms ***must also be provided to recipients by January 31, 2024***.

Below are the following 2023 Tax Return filing due dates for calendar year filers (December 31 year-end):

Form Type	Due Date	Extended Due Date
1065-Partnerships	March 15	September 16
1120S-S Corporations	March 15	September 16
1120-C Corporations	April 16	October 15
1040-Individuals	April 16	October 15
1041-Trust and Estates	April 16	September 30
990-Tax Exempt Org	May 15	November 15
FinCEN Form 114*	April 16	October 15

* **FinCEN Form 114**, better known as the foreign bank account report (**FBAR**), must be filed to report certain financial interests in or signature authority over **foreign financial accounts**. FinCEN Form 114 is a calendar year report. It may **only be filed electronically** and must be filed through the **Bank Secrecy Act (BSA) E-Filing System**.

For fiscal year filers:

- Partnership and S Corporation tax returns will be due on the 15th day of the third month after the end of their tax year.
- C Corporation tax returns will be due the 15th day of the fourth month after the end of their tax year.

If you have any questions regarding the filing due dates, please feel free to contact us.

Liscio - Client Communication and Document Exchange

All clients have a secure Liscio account for accessing their tax returns, filing instructions and individual return source documents as well as other secure communications and documents. We recommend accessing Liscio by downloading the **App to your mobile device** or from the **Client Center** which is now located on the top right of our website home page. This is a two-way process – we strongly encourage using Liscio to protect your personal confidential information by uploading tax documents, e-file signature forms or any other documents containing your social security or account numbers.

From our website, click on **Client Center** and select the **Liscio** icon. Log into Liscio by entering your **Email**, your self-selected **Password** and clicking the **Login** button. Please make sure you can access your Liscio account and if necessary, update your password using the **Forgot Password?** button in the **Liscio Login** screen.

If you experience any problems with your Liscio account, call **Marilyn Camargo** at (813) 931-2551 ext 101 or email her at marilync@strategiscpa.com. If she is not available, please leave a message or contact our Liscio help desk at (765) 566-7127 or email support at support@liscio.me.

Credit/Debits Card Payments

Our website has a **Pay Bill** button located on the right side of the banner at the top of our home page that allows you to pay invoices with your Debit or Credit card.

Inventory and Accrual Method Tax Returns

If you sell merchandise in your business or file your business tax return using the accrual method of accounting rather than the cash method of accounting, you must prepare a schedule of inventory, accounts receivable and accounts payable on hand as of December 31, 2023. We would be happy to answer any questions you have regarding what information is required and how to handle these matters.

Workers' Compensation Insurance

Businesses with employees are required by most States to carry workers' compensation insurance. In Florida, the only exception is for non-construction businesses with less than four employees. **In Florida, all construction businesses must have workers' compensation coverage even with only one employee.**

Reemployment and Withholding Tax Notices

If you have employees, you should receive your new Florida reemployment tax rate for 2024 as well as your federal withholding tax deposit requirements during the first week of December. Please provide our office with a copy as soon as possible. Call us immediately if you do not receive this in the mail. If your payroll tax deposits exceeded \$50,000 during the period July 1, 2022–June 30, 2023, you will be required to make your

2024 tax deposits **within three business days of payroll rather than by the 15th of the next month.** **Late deposits of payroll withholding will result in huge penalties.**

Florida New Hire Form

If you hire or re-hire employees **or independent contractors who are paid, or will be paid, \$600 or more in the calendar year,** you are required to report certain information about the employee to the State Directory of New Hires within 20 days of hiring that employee. You can file this report online or download a copy of the form to fax or mail back to the state. The website for Florida New Hire Reporting Center has moved to its new location at the Department of Revenue Child Support Services for Employers website at <https://servicesforemployers.floridarevenue.com/>. Failure to report new hire information could subject your business to liability for failure to withhold and remit child support payments to the state.

Record Maintenance

Remember it is **your responsibility** to keep bank statements, cancelled checks, credit card statements **and all related receipts,** and all other business and tax receipts for up to seven years to substantiate business income and deductions. You must also have a copy on file of IRS Forms W-4 and I-9 for each employee. If you have **unreimbursed business expenses,** you must submit these for reimbursement **before** the end of the year to deduct them on your business tax return. If you prepare your business tax return using the cash basis of accounting, you must pay bills with a check during 2023 for the deduction to be allowed in 2023. However, you should not reduce your cash balance below zero if you do not have adequate cash to cover payment of your expenses.

Florida Sales and Use Tax

Many businesses that do not collect and remit Florida sales tax are surprised when they receive an audit notice from the Florida Department of Revenue. This is because the State audits businesses to make sure they have proof that sales tax was paid on all their office furniture and equipment, as well as other fixed assets that were purchased for use within Florida. We recommend that you maintain a file containing a copy of all purchase invoices for every business asset you own that cost more than \$500. **Please contact us if you would like assistance submitting use tax on any out-of-state purchases that did not collect Florida sales tax.**

Florida requires sales tax to be collected and remitted on Rent Payments for the use of commercial property even if between related businesses or their owners. For example, if your business uses a building owned by a related party that is not the business using it, Florida requires you to treat payments made for mortgage payments, real estate taxes, and insurance as taxable rent even if the tenant makes those payments directly. This is the case, even if the building is owned by an LLC owned 100% by you or your business.

Data Security and Password Management Software

If you use a computer in your business **and you want to stay in business,** you need to maintain frequent backups of your computer data. A good rule of thumb about how often to backup is only backup what you do not want to recreate from scratch. Over the past few years several of our clients have had computers stolen or unexpectedly fail with catastrophic data losses.

We highly recommend using Password Management Software. Click here to link to an online article from PC Magazine [The Best Password Managers of 2023](#). We currently use **Dashlane** and have clients using **LastPass**. There is a free version of Dashlane, but we recommend the [Premium](#) or Family versions. Based on the time savings alone opening password protected web pages, we expect to save several times the

cost each year. This software works on browser-based applications, but most password management apps/software do not work **within software** that is installed on your computer, meaning it will not remember passwords within software on passwords used on browsers.

QuickBooks Online (QBO) and Hosted QuickBooks

The change in technology is almost unimaginable in both speed and scope and because of this we continue to move our client accounting to an online or hosted environment. QuickBooks continues to improve functionality and leverage AI to improve their online products. As a result, **QBO** is our recommended accounting solution for virtually all our small business clients. ***As we move forward together, our goal will continue to be to provide you with increased data security and flexibility in gathering and accessing your information in an increasingly mobile environment anytime from anywhere.***

Outsourced Accounting

With the increased administrative burden of running a business, many business owners are looking for opportunities to outsource services that do not fall within their core competency. **Outsourced Accounting-Complete** is an all-inclusive solution that offers businesses relief from the day-to-day accounting hassles while providing 24/7 access to financial data. As your trusted advisor, we pay your bills, record deposits, prepare payroll and payroll tax returns, furnish financial statements, produce W-2's and 1099's, prepare tax returns and supply valuable financial and tax advice throughout the year. All activity is completed online via a technologically advanced SaaS-based platform—so communication and document exchange are in real-time.

If you have an interest in more information call Sylvie or Tina in our office to discuss your specific needs.

End of Year Review

This is also a good time to evaluate your family's financial and estate plans. Please take some time before the end of the year to determine if your disability and life insurance coverage, retirement accounts and wills/trusts are adequate to provide for your family's current and future needs. We will be happy to discuss any of these issues with you. If charitable giving is important to you, please talk to us about the benefits of setting up a Donor Advised Fund for your family's charitable giving.

Hopefully, this will help you with your end-of-year planning. As in the past, we will make every effort to begin business tax returns during the month of January. If we do not prepare your accounting or bookkeeping, please deliver your information to us as early in January as possible. Please call us if you have any questions or would like to schedule a meeting or phone conference before the end of the year.

We wish you a very blessed holiday season!

Sincerely,

The Strategis CPAs & Consultants Team