

The General Ledger

A Quarterly Update for Clients and Friends of Robins, Eskew, Smith & Jordan

FALL 2021 IN THIS ISSUE:

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Proposed Tax Law Changes: What Individuals and Businesses Need to Know

There has been much discussion over the past few months about numerous proposed tax increases that are set to impact both corporate and individual tax rates. While nothing is set in stone yet, it is expected that by the end of the year, the Biden administration will enact substantial and far-reaching tax changes that will help fund new government investments such as infrastructure, education and family programs through the “Build Back Better” plan. While the list of proposed tax increases is extensive, the major takeaways at this time are:

Individual Income Taxes: It seems certain that under the proposed plan wealthy Americans will see an increase in taxes. Currently, the top marginal income tax rate will remain at 37%. Wealthier Americans may also be hit with a 5% and a separate 3% surtax on their total income at two levels. The 5% surtax applies to taxpayers whose adjusted gross income exceeds \$10 million. In addition, those whose adjusted gross income exceeds \$25 million will pay an additional 3% surtax on their adjusted gross income.

For owners of closely held companies who pay their business taxes on their individual tax returns, there are several additional proposed increases. Under the latest iteration of the plan, all pass-through entities will be subject to the 3.8% net investment income tax. Under current law there is an exception to this tax for individuals who actively participate in their business.

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Corporate Income Taxes: Large corporations will be subject to the corporate Alternative Minimum Tax (AMT). This tax equals 15% of a corporation's "adjusted financial statement income" for the tax year and would apply to corporations with annual income in excess of \$1 billion.

With the ever-changing political climate, we expect more changes are on the horizon.

State and Local Taxes: There has been heated debate over the past few months about undoing the \$10,000 cap on the federal deduction for state and local taxes (SALT) that was a part of former President Trump's 2017 tax cut bill. No limit existed prior to 2017. Even several moderate Democrats in Congress say they cannot support a bill that does not include a SALT repeal. At this point in time, it remains to be seen if the cap will remain at \$10,000 or if it may be raised. Under the revised Build Back Better plan, the cap would be extended through 2031. The cap would also be increased from \$10,000 to \$80,000 for 2021 to 2030 (it would go back down to \$10,000 for 2031).

Tax Credits: The Employee Retention Credit will be eliminated for wages paid after September 30, 2021. Also, the enhancements to the Child Tax Credit will be extended to 2022. The credit will be \$3,000 per child, or \$3,600 for children under the age of six. Advanced payments of the Child Tax Credit will also continue into 2022.

Crypto Asset Reporting: Brokers will be required to report information on those who own cryptocurrency. The definition of "broker" includes anyone who for consideration effectuates "transfers of digital assets on behalf of another person." A digital asset is defined as "any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology."

With the ever-changing political climate, we expect more changes are on the horizon. RESJ continues to closely monitor the proposals and will keep our clients and friends updated as they are refined. Please contact us if you have questions about tax-planning strategies for you or your business.

FIRM NEWS

Firm Welcomes 4 New Staff Members

We are pleased to welcome four new staff members to the firm:



AN HA

An is a staff accountant in the Duluth office with several years of experience and joins the firm from another local accounting firm. She is a 2016 graduate of Georgia State University where she earned a Bachelor of Science in accounting and finance.



HEATHER MADISON

Heather is a 2021 graduate of Bob Jones University in Greenville, South Carolina where she earned a Bachelor of Science in accounting. She is a staff accountant in the Duluth office and an associate member of the Georgia Society of CPAs.

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Succession Planning Spotlight

Firm Helps Family-Owned Tire Business Keep the Wheels Rolling

RESJ provides a range of business advisory services for family-owned businesses including succession planning. With succession planning, our goal is to preserve a business' legacy while reducing tax liability through careful planning and the implementation of sound tax strategies. Our recent work with a local tire business is a great example of how a privately held business can successfully navigate the challenges of succession planning.



Our client is a husband-and-wife team who founded their tire business in 2009 with one location. Since that time, the privately held business has experienced continued growth and today has several locations throughout the metro Atlanta area. As often happens, many children of parents who are business owners decide to become business owners themselves. This was the case for the wife as her parents had been in the tire business since the 1980s, owning and operating two stores that sell new and used tires.

Ensuring a Successful Transition

RESJ began working with the owners shortly after the wife's mother handed over management of her two stores to the couple. The wife's mother maintained ownership but was ready to pursue the gifting of the two stores as she

had always intended to pass on ownership to her daughter. To ensure a successful transaction, the first step was to begin tax planning and cleaning up accounting processes so that the business could be successfully gifted to her daughter. Collaborating with their attorney, our team focused a great deal of time on structuring the accounting and taxes for the gifting transaction.

RESJ takes a proactive, hands-on approach to the accounting and tax-planning issues associated with succession planning.

After the transaction, we performed a financial review that included helping merge the accounting system for the mother's stores into the accounting system of the existing business owned by her daughter and son-in-law. The mother's two stores are now in the process of being rebranded and the couple is working on the opening of an additional location during the first part of 2022.

Our Approach

RESJ takes a proactive, hands-on approach to the accounting and tax-planning issues associated with succession planning. Our objective is to meet regularly with clients so that we have a deep understanding of both long- and short-term goals. With this client, for example, we are already beginning to help the owners think about their long-term exit strategy. While many years down the road, successful succession planning begins long before the day comes when business owners are ready to pursue their next chapter of life.

If you are the owner of a privately held business and need help developing a succession plan, contact us to set up a meeting to discuss your unique situation.



ANDREW SIMS

Andrew is a 2021 graduate of Kennesaw State University where he received a Bachelor of Business Administration in accounting. He is an audit staff accountant in the Duluth office and an associate member of the Georgia Society of CPAs.



ELAINE TORRES

Elaine is a senior tax accountant in the Fayetteville office. She joins the firm with several years of experience at Deloitte and several public and private companies including Cox Enterprises and Coca-Cola Enterprises. She is an IRS Enrolled Agent and a certified QuickBooks Pro advisor. She earned a Bachelor of Business Administration in accounting from the University of Puerto Rico – Cayey Campus. Elaine is currently pursuing CPA licensure.

Where Is My Tax Refund?

The Long Wait for Refunds – What to Expect if You Are Still Waiting

The 2021 tax filing season has been unlike any other. Millions of Americans are still waiting for their refund from 2020 tax returns that were filed by the deadline, which was extended to May 17. As of September, the Internal Revenue Service had a massive backlog of about 8.5 million individual returns.

During an average year, the agency processes returns and pays refunds within approximately three weeks. However, nothing about 2021 has been typical. This year has seen the “perfect storm” due to the ongoing pandemic, numerous tax law changes and new relief programs the IRS is administering. Combine these challenges with longer-term issues that include a workforce shortage, technology gaps and a backlog of unprocessed paper returns from 2019, and the picture does not get any better.

What Can You Do?

Unfortunately, there is little you can do if you are still waiting for your refund. The best advice is to remain patient. Returns are processed in the order they are received and the IRS is trying to reroute returns and taxpayer correspondence from facilities that are behind to those where more staff is available. You may use the “Where’s My Refund” tool on the IRS website to check on the status of your refund. You can also view your IRS account online. Calling – if you even happen to get through – will not provide any additional information beyond what you can find on the website.

Business Tax Returns

Business tax returns are not faring much better. In 2020, the pandemic caused a backlog of nearly 8 million paper-filed business tax returns – a 3,230% increase compared to the same time in 2019. The IRS reported the backlog had been reduced to 291,000 by July 2021. In addition, as of September, the IRS had 2.3 million unprocessed employment tax returns filed on Form 941. According to a report published by the Treasury Inspector General for Tax Administration, the delays are largely a result of “unprecedented and drastic actions” the IRS took to protect employees and taxpayers during the COVID-19 pandemic.

The IRS is actively addressing many of the issues that have contributed to the backlog, including hiring about 3,500 new employees in processing operations, expanding telework options and offering incentive pay and overtime. In the meantime, there is not much you can do but wait for your refund. The same report states: “The inability of the IRS to hire sufficient staff will affect taxpayers awaiting refunds or that have claimed pandemic business credits.”

Where’s My Refund link: <https://www.irs.gov/refunds>

IRS Account link: <https://www.irs.gov/payments/view-your-tax-account>

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