

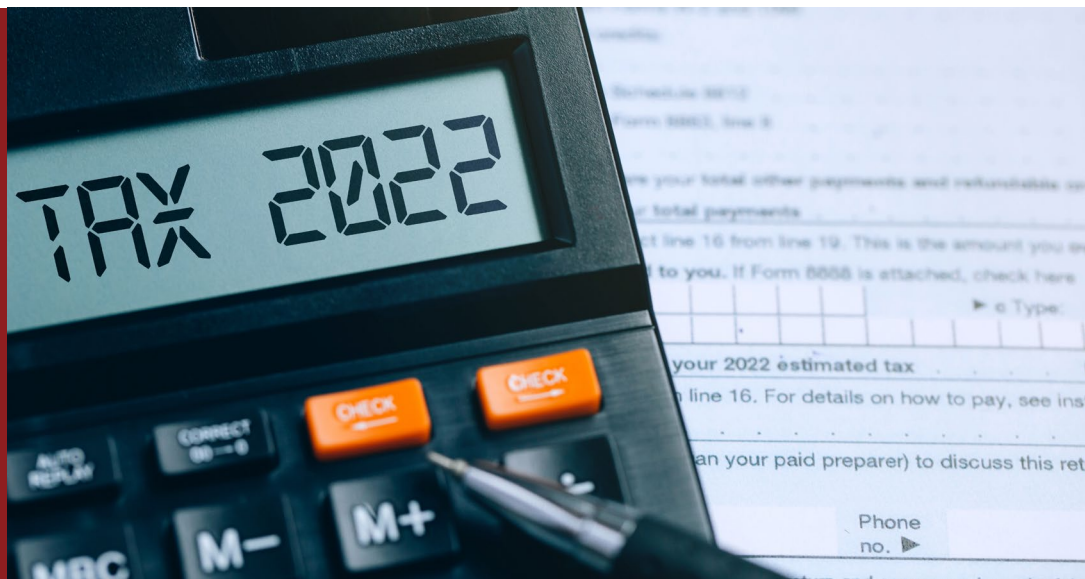
# The General Ledger

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

## DECEMBER 2022

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## 2022 Year-end Tax Planning Checklists – Top Areas to Review

Whether you are a business or an individual, there is still time over the next few days to make sure you are doing all you can to minimize your taxes and avoid any surprises when April 15, 2023 rolls around. The following checklists cover the top areas to review and take advantage of before we say hello to the new year.

### CHECKLIST FOR BUSINESSES

1. **Retirement plan opportunities.** Retirement plans offer an excellent way to save on taxes. Generally, it is wise to prepare in advance of year-end; however, some plans can be established after December.
2. **Year-end asset purchases.** The purchase of business assets can affect your financial and tax situation. If you are considering a major purchase, doing so before year-end may give you a tax break in the first year by being able to accelerate depreciation.
3. **Defer income recognition.** If you have received payments in 2022 for products or services that will be delivered/performed in 2023, you may be able to defer the revenue until 2023, thus reducing your 2022 tax liability.
4. **Flow-through entity (FTE) SALT workaround.** Each year, a qualified passthrough entity (S-corporation, partnership and LLC) can elect to be subject to Georgia business income tax before the income passes to the owners. If elected, your business pays a 5.75% state tax rate on the taxable income for the year, allowing you as the pass-through owner to then deduct the state taxes paid on your federal tax return with no limit, thus reducing your federal tax liability.

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**5. Review officer salary for appropriate levels.** Closely held business owners should review annual salaries for the following:

- a. Retirement plan funding
- b. S Corp shareholder health insurance
- c. Reasonable salary

**6. Personal use of company vehicles calculation.** IRS rules require employers to impute taxable wage income to employees for the personal use of company vehicles. There are two methods of computing the value of personal use: cents per mile or average lease value. It is best to determine which method you will use before year-end.

**7. 1099 reporting requirements.** Review 1099 forms to ensure you have accurately completed these for any vendor to whom you paid more than \$600 for services during the year; these must be mailed to recipients in January.

**8. Year-end bonuses.** Instead of giving your employees a year-end cash bonus, you can make a pre-tax contribution to their retirement accounts. This type of bonus is called “profit sharing” and you are able to add the payments to your employees’ retirement accounts without the bonus counting toward their taxable income. For the business, this type of contribution is tax deductible and not subject to Social Security or Medicare withholding.

## CHECKLIST FOR INDIVIDUALS

**1. Required minimum distributions (RMDs).** If you reached the age of 72 during 2022, you must begin taking RMDs from retirement accounts such as a 401(k) or an IRA. Failure to take the RMD can result in substantial tax penalties.

**2. Roth IRA conversions.** If you are considering converting a traditional IRA to a Roth IRA, you must do so by December 31 for this to be reportable on your 2022 income tax return. While you may still make contributions to a Roth IRA before April 15, the conversion itself must be accomplished in 2022.

**3. Year-end giving.** If you are planning to make any charitable donations and want to realize the tax benefits in 2022, you must make your gifts by December 31. For those in a high tax bracket who

itemize deductions, consider a donor-advised fund (DAF) that allows you to make donations of cash or other assets such as stocks and bonds to a public charity and be eligible for an immediate tax deduction.

**4. Health savings account (HSA).** Reduce your taxes by contributing additional money to your HSA if you have not maxed out your contribution amount for 2022. While you can make contributions beyond December 31 and up until the 2023 filing deadline, doing so now will help you prepare for your overall 2022 tax liability.

**5. 529 college savings plans.** 529 plans are not deductible from federal income tax; however, filers in Georgia may deduct up to \$8,000 per year per beneficiary when filing a joint tax return, and individual and head-of-household filers can deduct \$4,000 per beneficiary each year. While you have until April 15, 2023 to make a contribution, doing so by end of the year makes sense as you assess your overall 2022 tax liability.

**6. Stock-loss harvesting.** If you have realized gains in your stock portfolio during the year, consider “tax-loss harvesting” by selling selected investments in your portfolio at a loss in order to offset the profits.

**7. Gifts of \$16,000 per person.** Gifts up to \$16,000 can be made to each child, grandchild or another individual without having to file a gift tax return. If you would like to make a larger gift, it would be wise to consult with RESJ on the best strategy.

**8. 401 (k) plan contributions.** If you are able, have your employer withhold the maximum amount of money allowed; doing so will help shelter your income from additional taxes.

**9. Estimated tax payments review.** If you have had any significant changes in your financial situation, it is a good idea to have your tax advisor prepare an income tax projection. We can determine if any changes are needed in your estimated tax payments or withholding.

The end of the year is one of the most important times for both businesses and individuals to make tax and financial planning decisions. If you need assistance in determining the best course of action for your situation, talk to one of the tax professionals at RESJ.

# FIRM NEWS

## Congratulations

Congratulations to Dan Clum, senior audit partner in our McDonough office for receiving the Honored Alumnus Award from the Division of Accounting in the School of Business at Bob Jones University. The award is given to those alumni who demonstrate the love of Christ among colleagues and clients in their sphere of influence. Bob Jones selected Dan for the award because of his outstanding accomplishments as a partner at Robins, Eskew, Smith & Jordan and his successful accounting career, and for being an excellent father, mentor and leader. Additionally, he received the award for representing an exemplary commitment to his alma mater's core ideals of learning, loving and leading for the glory of God and the good of others.



*L-R: Steve Petit, Bob Jones University president; Dan and Julie Clum; John Matthews, Bob Jones University vice president for advancement and alumni relations.*

## Retirement



After more than 35 years with Robins, Eskew, Smith and Jordan, Paul Smith will be retiring at the end of December. Paul joined the firm in its early years, in 1987, and has been a true leader along the way, helping to grow RESJ into the firm that it is today. He has been the partner-in-charge of the firm's financial planning company and has co-managed the Fayetteville office. Throughout his career, Paul has worked extensively with privately owned businesses and their owners, helping them with tax planning, retirement planning, estate planning, succession planning and personal financial planning.

In reflecting upon his years at the firm, Paul said, "The thing I have enjoyed most and will miss is working with our staff and partners. RESJ is full of men and women of integrity, honesty and kindness – a team of people all of whom have had an impact on my life and career. RESJ is a great place to work because of our people."

As he transitions to a new season of life, Paul is looking forward to spending more time with his family, traveling to see some of the natural wonders in our state and the national parks, serving the Lord in various capacities, and of course hooking up some big redfish and speckled trout wherever he can find them!

Paul added, "To our staff, I want to say thank you for your dedication, your diligence and most of all putting up with all of the partners of RESJ. To my partners, I want to say thank you for your guidance, your support and your constant reminder that we are only stewards of what God has richly provided for us."

## New Hires



**JANE CHEN**

Jane joined the firm's Duluth office in August as a senior tax accountant. She is responsible for preparing tax returns for a variety of business entity types, nonprofits and individuals. She also handles payroll tax returns and the review of clients' QuickBooks files. Prior to joining RESJ, Jane worked with several local accounting firms. She is a graduate of Kennesaw State University where she earned a degree in accounting.



**JARED GILLIS**

Jared is a tax staff accountant in the Fayetteville office and joined the firm in August. His responsibilities include preparing corporate and individual tax returns along with handling bookkeeping for several clients. Jared was previously a tax associate at BDO. He holds an undergraduate degree in mathematics from Gordon State College and earned his master's degree in accounting from the University of North Carolina at Chapel Hill.



**LESLIE PIERCE**

Leslie joined the Fayetteville office in June as an administrative assistant. In addition to managing the front desk, she supports the partners and staff, assembles tax returns and handles some bookkeeping tasks. Previously, Leslie was an assistant manager for Delta Homecare. She has more than 20 years of experience in accounting and human resources. She earned a business degree in human resources from South University and an associate degree in accounting from West Georgia Technical College.



# Key Takeaways From Our 2023 Economic Outlook Seminar

On November 3, 2022, business owners from throughout the metro Atlanta area gathered to hear thoughts from experts about where the economy is headed in 2023 and what they can do to prepare their businesses in an uncertain economic environment. Sponsored by RESJ and Truist, seminar presentations included an economic and market update presentation by Jeff Terrell, senior investment strategy analyst at Truist; a presentation on financial reporting best practices and tax-planning techniques by Bruce Burkholder, manager; and a presentation on tax credits and incentives by Rob Kling, regional director, and Jason Jones, general counsel, both of Tri-Merit.

## 2023 ECONOMIC OUTLOOK TAKEAWAYS

- Global inflation remains problematic and the sharpest global monetary tightening cycle in decades to combat inflation will continue to weigh on economic growth.
- The risks for a recession in the next 12 months have risen sharply in recent months – and many experts agree that a recession will be needed to tame inflation.
- Continued interest-rate increases by the Fed, which are already affecting the housing market (the good news is prices are finally slipping).
- The deepest curve inversion since 2000 reflects the bond market's pessimism.
- On a positive note, the job market remains strong.
- Markets have done fine under a wide range of partisan control scenarios; factors outside of Washington tend to have a greater market impact.
- Stocks have risen in the 12 months following every midterm election since

1942, but what may be different than past instances is a recession next year.

- The 10-year U.S. Treasury yield is near the highest level since 2010.

## PREPARING YOUR BUSINESS

While there is no crystal ball to show us exactly where the economy will end up, there are ways you can navigate the uncertainty. Even though the below are things any business owner should always be aware of, it is even more important headed into a year where the economy is unstable to consider the following:

- Make sure you are aware of the tax credits that may be available for your business including research and development, work opportunity, employee retention, and job opportunity, among others. It is important to understand these credits and determine when they may be beneficial for your business.
- Understand your financial statements and the method of accounting you are using – cash, accrual or completed contract. The method of accounting depends on your business and stakeholders, your desire to reduce taxes and the nature of your business.
- Determine if an audit and review may be valuable for your business. While it can be costly to obtain these services and certified reports, the process can be very consultative and be extremely valuable for growing companies looking to obtain capital and stronger business relationships with vendors and partners.
- Have a plan to transition the wealth of your business – this will likely involve working with an estate and trust attorney and a CPA. Most business owners do not understand



## Annual Community Service Day

The firm's annual community service project took place in late September at Medical Missions Outreach in McDonough. The entire team always looks forward to this day of giving back to organizations in the community that are making an impact on the lives of others. Medical Missions Outreach is a nonprofit that leads medical mission trips around the world. RESJ team members donated general medical supplies, performed hands-on work examining and processing used eyeglasses, entered patient medical records and assisted with indoor/outdoor maintenance projects.

how long it takes to effectively prepare to transition wealth and minimize taxes.

- Work with an attorney and a CPA to develop an exit plan for when you are ready to retire. Similar to the transition of wealth, most business owners do not understand the many areas that must be considered prior to a sale and how many years it takes to prepare for this event.
- Build trusted relationships with your professional services providers. Often, owners of fast-growth companies do not understand the changes that must take place respective to accounting, banking and other business areas to support and sustain significant growth.

If you need help navigating any of the above, the accounting and tax professionals at RESJ are always ready to help.