

The General Ledger

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

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Georgia Pass-Through Entities – Reminders for 2024

If your business operates as a pass-through entity (PTE), it is important to remember that Georgia requires PTEs that want to pay taxes at the entity level to make the election annually. As we wrap up 2023 and head into a new tax year, now is a good time to consider whether paying income tax at the entity level makes sense for your business as the estimated tax must be paid quarterly throughout the year.

For taxable years beginning on or after January 1, 2022, Georgia S corporations and partnerships with no foreign partners and no non-grantor trust partners have been allowed to make an irrevocable election to pay Georgia state income tax at the entity level at a rate of 5.75%. Georgia's legislation requires that the election be made by the due date of the corporate or partnership return, including extensions. It is important to remember that

once a PTE makes the election, it cannot be changed for that tax year.

When the federal Tax Cut and Jobs Act of 2017 was passed, it limited the deduction for state and local income taxes or sales taxes, plus property taxes to a maximum of \$10,000 for individuals. For many PTEs, the owners' state and local taxes exceed the \$10,000 limit. Georgia's SALT Parity Act, which went into effect on January 1, 2022, allows PTEs to circumvent the \$10,000 cap on the state and local tax deduction. The legislation effectively shifts the tax incidence to the entity level and provides PTE owners with some form of a credit, deduction or exemption on their individual state income tax return.

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MAKING THE ELECTION & QUARTERLY PAYMENTS

To make the election, PTEs must check the box and complete the applicable schedule(s) on Georgia Form 600S (S corporation) or on Georgia Form 700 (partnership). An electing PTE is required to make estimated tax payments quarterly. You can submit estimated tax payments by check using Georgia Form 602-ES or submit them electronically through the Georgia Tax Center.

As with many tax issues, determining whether it makes sense for your PTE to take advantage of Georgia's SALT cap workaround can be difficult. In addition, many other states have adopted similar regulations so if your business operates in several states, working with an experienced tax professional is imperative. If you need guidance, contact RESJ and we can help you navigate the best course for your business.

New Financial Reporting Requirements Beginning in 2024

Beginning January 1, 2024, many companies will now be required to report information to the U.S. government about who owns and controls a business. The new federal law will impact most small businesses so if you are the owner of a business – or involved in the operations of a business – you may be impacted.

TYPES OF BUSINESSES REQUIRED TO REPORT

Businesses that are subject to BOI reporting are called "reporting companies." There are two types of reporting companies:

- **Domestic reporting companies:** Corporations, limited liability companies, and any other entities created by the filing of a document with a secretary of state or any similar office in the United States.
- **Foreign reporting companies:** Entities (including corporations and limited liability companies) formed under the law of a foreign country that have registered to do business in the United States by the filing of a document with a secretary of state or any similar office.

BENEFICIAL OWNERS INCLUDE THOSE WHO:

- Exercise "substantial control" over a reporting company, or
- Own or control at least 25% of the ownership interests in a reporting company.

Note: Any senior officers of the reporting company, regardless of formal title or if they have no ownership interest in the reporting company, are considered to be beneficial owners of the entity.

Information reported includes the entity's legal name and any trade names, address, Taxpayer Identification Number,



information on all beneficial owners including full name, date of birth, residential address and identification from a document such as a passport or U.S. driver's license.

WHEN AND HOW TO FILE

Entities created prior to January 1, 2024 have until January 1, 2025 to file their initial BOI report; however, new entities formed after December 31, 2023 must file within 90 days. Reporting companies that have changes to previously reported information or discover inaccuracies in previously filed reports must file within 30 days. BOI reports must be filed electronically using FinCen's secure filing system.

A number of entity types are exempt from the beneficial ownership information reporting requirements – these typically include publicly traded companies, banks, public accounting firms, nonprofits and certain large operating companies, among others. Most of these entities are heavily regulated by government and thus already disclose their BOI to a government authority.

RESJ will be glad to provide guidance on reporting requirements in light of this new legislation. To learn more, visit: https://www.fincen.gov/boi-faqs#A_2.

2023 Summer Interns and Leadership Experience



Each summer, RESJ looks forward to our Intern and Summer Leadership Experience. We love having accounting students contribute their talents to various projects and providing them with the opportunity to gain valuable career experience. This past summer, we had five interns. In our Duluth office was Elizabeth Grace, a student at the University of Georgia; Yannick Truter who attends Liberty University; and Trevor McClure from Berry College. In our Fayetteville office, Georgia College & State University student Caden Wilson returned for a second year. The McDonough office welcomed Perry Lam who is attending Georgia State University.

The interns gained hands-on experience with 401(k), regular and nonprofit audits; individual and corporate tax; and bookkeeping. They also assisted with research for our tax credit team. The internship program wrapped up in late July with our two-day Leadership Experience program where interns got to know each other and the rest of the RESJ team. The interns were able to visit several clients, tour their facilities and see firsthand how we work with clients. The program included several leadership-building activities, Q&A time with partners and staff, an outing at Top Golf and a cookout/pool party.

We are already planning for 2024 so if you know an accounting student who is within two years of graduation and might be interested, please reach out to Natalie Davis at ndavis@resjcpas.com.

Community Service



Each year, RESJ looks forward to taking one day away from the office to participate in a firm-wide community service day. On October 27, for the second year in a row, we spent the day at [Medical Missions Outreach](#), a nonprofit located in McDonough. Using both medical and non-medical volunteers, Medical Missions Outreach

serves underdeveloped countries around the globe by providing quality, ethical medical care to those who need it most.

During the service day, RESJ team members sorted and labeled eyeglasses by prescription, took inventory of pharmacy medications, helped to prep for upcoming mission trips, and performed outdoor maintenance that included painting a fence, updating parking lot lines and taking care of some light yardwork. RESJ also collected donations prior to the service day.

Year-End Tax Planning Reminders

The end of the year is one of the most important times for both businesses and individuals to make tax and financial planning decisions. Below are some of the top tips to consider for minimizing your 2023 taxes.

TOP REMINDERS FOR INDIVIDUALS

- Maximize annual retirement plan contributions.
- Maximize annual health savings account (HSA) contributions by April 15, 2024.
- Review your tax bracket and determine if you can defer any income until 2024.
- Complete any planned Roth IRA conversions (will be taxable events).
- Take advantage of the "annual gift exclusion" by making year-end gifts to family members or other individuals.
- Sell investments at a loss to offset the taxes resulting from a capital gain.
- Make a charitable donation.

TOP REMINDERS FOR BUSINESSES

- Consider deferring income from 2023 to 2024 to reduce your tax liability.
- Accelerate expenses by making necessary purchases that are tax deductible such as equipment, computers or a company vehicle – but make sure you can prove the equipment or vehicle was in use by December 31.
- Consider retirement plan options to save for owner retirement or to reward employees.
- Determine whether pass-through entity status could help reduce your taxes, including paying PTE tax by December 31, 2023. (See article on page 1 about PTEs.)
- Write off bad debts now to receive a deduction for 2023.

If you need help determining the best course of action for your situation, talk to one of the tax professionals at RESJ.

Frequently Asked Questions About Business Vehicle Deductions



Q. What is the definition of a business vehicle?

A. A business vehicle can be owned by the business or an employee. The deduction of expenses differs based on who owns the vehicle – the business vs. an employee.

Q. What types of vehicles qualify for tax deductions if the vehicles are used to conduct business activities?

A. Cars, SUVs, heavy SUVs, vans, pickup trucks and delivery trucks are all eligible for deductions if they are used more than 50% of the time for business activities.

Q. How much am I allowed to deduct per vehicle?

A. Small vehicles under 6,000 pounds have a deduction limit of \$20,200 during the first year they are used. Vehicles weighing more than 6,000 pounds are considered “heavy” by the IRS and in 2023 have a first-year deduction limits as follows: \$28,900 max sec 179 expense/80% of remaining cost as bonus first-year depreciation.

Q. What if the vehicle is also used for personal use?

A. If a business purchases a vehicle that is not used 100% for business, you may deduct the percentage that the vehicle is used for business activities. For example, if the vehicle is used 50% of the time for business, the deduction during the first year of use would be 50% of the limit, so \$5,580.

Q. We just purchased a new vehicle, will we be able to deduct it on our 2023 taxes?

A. To take the deduction in the 2023 tax year, you must be able to prove that the vehicle was in service prior to December 31, 2023.

Q. What happens with vehicles that are owned by the business owner or an employee and are used to conduct business?

A. For those who use their personal cars for business, the employer typically reimburses the employee for the business mileage incurred at the standard mileage rate which is currently 65.5 cents per mile. The equivalent vehicle depreciation amount is included in the standard mileage rate. In some cases, businesses decide to use the actual expense method where actual expenses are tracked such as gas, maintenance and repairs, etc. Working with a tax advisor can help you determine which method may be best for your business.

Q. Can you take deductions on business vehicles that are leased?

A. Yes, you can take deductions on leased vehicles and can use either the standard mileage or actual expenses method. However, you cannot change your method in later years after you have decided which method to use.

If you are a business owner that uses vehicles to conduct business activities, understanding what you can deduct is important and can be complicated. If you need guidance, please reach out to RESJ and we can answer your questions and determine what is most beneficial for your unique situation.