

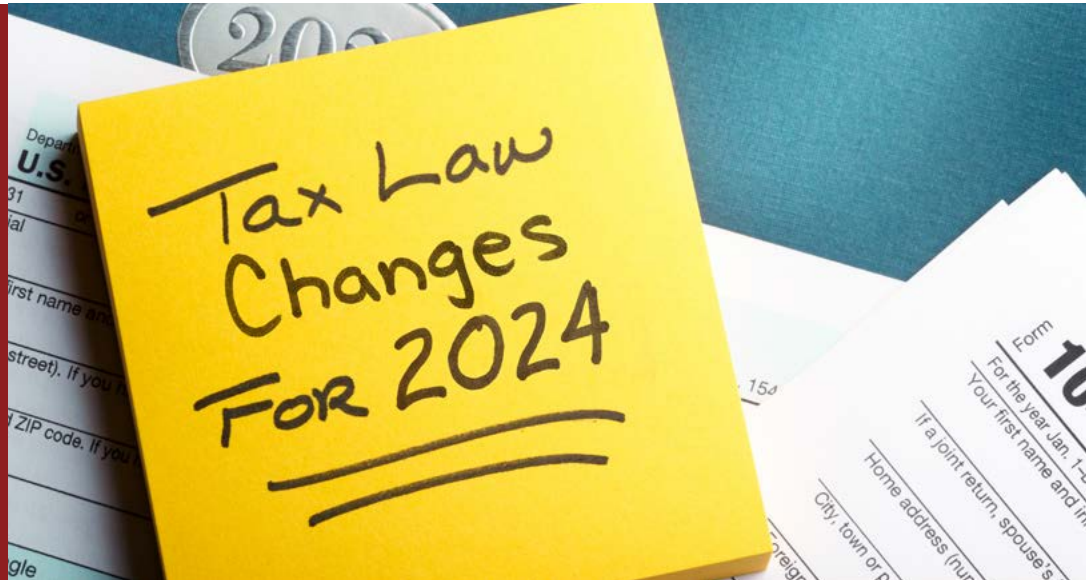
# The General Ledger

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

## SPRING 2024

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## Georgia's Recent Tax Law Changes 2024 Brings Lower Personal Income Tax Rates

If it seems like Georgia's state income brackets and standard deductions keep changing, you are correct. Over the past few years, the state has passed a number of tax bills and there are more changes to come. The good news is that many of these changes are helping taxpayers – both individuals and businesses – achieve tax savings, allowing you to retain more of what you earn.

### THE TAX REDUCTION AND REFORM ACT OF 2022

The first changes began in 2018 when the Legislature doubled the standard deduction to \$4,600 for single filers and \$6,000 for married filing jointly. The following year, House Bill 593 was passed and beginning tax year 2022, the standard deduction increased to \$5,400 for single filers and \$7,100 for joint returns. The most significant change came with the passage of House Bill 1437, the Tax Reduction and Reform Act of 2022.

### CHANGES TO THE STANDARD DEDUCTION AND EXEMPTIONS

The bill also eliminated the previously passed standard deductions and increased personal exemptions from \$2,700 to \$12,000 for single and head-of-household taxpayers and from \$7,400 to \$18,500 for married taxpayers filing a joint return.

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Personal exemptions for married taxpayers filing jointly are set to increase as follows:

2026	→	\$20,000
2028	→	\$22,000
2030	→	\$24,000

**LOWER PERSONAL INCOME TAX RATES STARTING IN 2024**

Effective January 1, 2024, the personal income tax rate is 5.49%. Gradual tax-rate reductions will continue, as long as state budget requirements are met, until a flat tax rate of 4.99% is reached, effective January 1, 2029. The anticipated schedule is as follows:

January 1, 2024	→	5.49%
January 1, 2025	→	5.39%
January 1, 2026	→	5.29%
January 1, 2027	→	5.19%
January 1, 2028	→	5.09%
January 1, 2029	→	4.99%

In summary, tax savings are achieved across all income levels for Georgia taxpayers. Tax increases caused by eliminating income brackets are more than offset by the tax reductions resulting from the increase to the personal exemptions.

**CHANGE TO RETIREMENT INCOME EXCLUSION**

Another change resulting from tax law changes increased the amount of earned income included in the retirement income exemption from \$4,000 to \$5,000.

*Please consult the RESJ team to discuss these changes and how they will affect your situation.*

**FIRM NEWS RESJ**

Promotions



We are pleased to announce the promotions of **Heather Madison** and **Malcolm Smith** to senior tax accountants. Heather works in the Duluth office and joined the firm in 2021 after graduating from Bob Jones University. Malcolm is located in the McDonough office and joined the firm in 2022 after graduating from Kennesaw State University.

Congratulations



Congratulations to **Taylor Pace** on recently passing the CPA exam! Taylor has been with RESJ since 2019 and is a senior accountant in the audit practice area. He is a graduate of North Greenville University and received an MBA from Liberty University.

**SUMMER LEADERSHIP EXPERIENCE 2024**

We are looking forward to hosting our Summer Leadership Experience again this year! This two-day event will be held August 1-2 and provides a unique opportunity for accounting students to get a first-hand look at what it's like to work for an accounting and professional services firm. We welcome applications from students who are within two years of completing an accounting program. **For more information, contact Gennifer Pace at gennpace@resjcpas.com.**

**FIRM NEWS RESJ FIRM NEWS RESJ**

Retirement



**FAREWELL TO LEE JORDAN**

After a career spanning more than 40 years, with the past 22 years at Robins, Eskew, Smith and Jordan, tax partner Lee Jordan is retiring. As we say farewell to our long-time colleague and friend, we celebrate all he has accomplished over the course of his career. Lee's accounting journey has been unique – while many public accountants begin their careers at an accounting firm and then move into industry, Lee did just the opposite. He actually began his career in industry before becoming a CPA and working in public accounting.

Also unique, Lee graduated from the University of Georgia in 1979 with a degree in chemistry with a plan to go to medical school. However, Lee realized that medicine was not his calling and decided to pursue a business career and enrolled in the MBA program at Georgia State where he graduated in 1981. His first job in the business world was as an auditor with Rollins, Inc. where he worked for two years. From there, Lee joined Wells Fargo Armored Service, eventually becoming

the assistant controller and earning his CPA certificate. Soon thereafter, Lee decided to open his own accounting firm, which he operated for a decade before joining RESJ in 2001. Lee's office was located in the Northlake area and that office became the firm's north metro Atlanta office.

"One of the best things about joining RESJ after being on my own was getting to work with great people and being part of a strong leadership team," said Lee. "I also have loved being around our younger colleagues." Lee has worked with some of his clients for more than 30 years as many came with him to RESJ. As a service-oriented person, public accounting has been a rewarding career as the profession has given Lee the opportunity to help his clients operate successful businesses.

As he transitions to a new season of life, Lee is looking forward to playing golf, spending time at his Lake Hartwell cabin and enjoying more time with his wife, children and three grandchildren. He also will have more time for volunteering and mission work with his church. Lee said, "I will be busy! It's been a great run and I will miss everyone. RESJ has been an amazing place to work and I wish all of my colleagues and clients the best."

New Hires



**WE ARE PLEASED TO WELCOME TWO NEW TEAM MEMBERS TO THE FIRM.**

**Andrice Fagan, CPA** The McDonough office welcomed Andrice Fagan as a staff accountant at the end of 2023. Andrice comes to the firm with several years of experience and her responsibilities include tax and bookkeeping. She is a graduate of the University of the West Indies Jamaica where she earned a degree in accounting and management and has an MBA in accounting and health administration from Georgia State University.

**Jack Meister** Jack Meister joined RESJ's Duluth office in January as a staff accountant in the audit division. He is a recent graduate of Kennesaw State University where he received a degree in finance.



# W-2 Employees vs. 1099 Contractors

## Make Sure You Understand the Difference



### **In the United States, there are two types of employment classifications: W-2 employees and 1099 contractors.**

If you own and operate a business, understanding these classifications is important as the penalties can be significant if an employer misclassifies an employee.

#### **W-2 EMPLOYEES**

- Typically work full time and onsite and include office employees, healthcare workers, teachers, retail workers, etc.
- Have set or structured hours.
- Have well-defined job requirements.
- Have consistent and predictable income.
- Usually receive benefits such as health, dental and life insurance along with access to a retirement plan such as a 401(k).

#### **1099 CONTRACTORS**

- Typically work part time or flexible schedules and work is performed on a project and/or contract basis.

- Offer specialized skills that many businesses do not have in-house.
- Set their own hours and choose their clients.
- Have income that varies from month to month based on workload for their clients.
- Are not eligible for benefits from their clients.

#### **TAX IMPLICATIONS**

For W-2 employees, employers withhold Social Security, Medicare and income taxes. At the end of the year, all wages and deductions are reported to employees on Form W-2. In contrast, 1099 contractors are responsible for remitting their own estimated tax payments that include federal and state income taxes, Social Security and Medicare self-employment taxes.

#### **WHEN WORKERS ARE MISCLASSIFIED**

There are a number of protections that W-2 employees receive that 1099 contract employees do not, such as workers' compensation, unemployment

insurance and overtime pay for those employees who are eligible, among other benefits. As these protections are paid by employers and the associated costs add up, sometimes employers try to classify workers as 1099 contractors when they should be W-2 employees. Employers with misclassified workers face penalties that include \$50 for each W-2 not filed, a penalty of 1.5% of the employee's wages and back taxes equal to 40% of the employee's portion of FICA taxes and 100% of the employer's portion of FICA taxes. If an employer is found to have intentionally misclassified an employee, even heavier penalties can be levied. These penalties are just on the federal side – many states have similar penalties. In addition, a wronged contract employee could potentially sue an employer if they believe they should have been a W-2 employee rather than a 1099 employee.

**To learn more about worker classification, visit the [IRS Worker Classification 101 page](#).**