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FALL 2024 SMALL BUSINESS NEWSLETTER

***Including Our Annual Payroll  
and Form 1099 Update Section!***



MERRY CHRISTMAS

*From our team to yours, Happy Holidays and Happy New Year!*

Small Business Services Group

**TRONCONI SEGARRA  
& ASSOCIATES** LLP

Certified Public Accountants  
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

**“Always  
bear in mind that  
your own resolution  
to succeed is  
more important  
than any other.”**

Abraham Lincoln  
16<sup>th</sup> President of the United States

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## ***Beneficial Ownership Information (BOI) Reporting Due January 1, 2025***

*By Melissa S. Howell, CPA, Principal*

The new Beneficial Ownership Reporting (BOI) requirement put into effect by the Corporate Transparency Act is applicable for all legal entities formed in the United States or non-U.S. entities registered to do business with a state government. Each legal entity formed in the United States before January 1, 2024, must report their beneficial ownership to the Financial Crimes Enforcement Network (FinCen) by January 1, 2025, unless specifically exempted. There are 23 exemptions that may apply, where reporting may not be required. Specific exemptions apply to various business types that are already heavily regulated by the government. Those exemptions include publicly traded companies, banks and credit unions, securities brokers and dealers, public accounting firms, and tax-exempt entities, amongst others. Also exempt are “large operating entities” that employ more than 20 people in the U.S., have reported gross revenue of over \$5M on the prior year’s tax return and are physically present in the U.S.

The new requirement is part of the Bank Secrecy Act, a set of federal laws with the intent to help U.S. law enforcement combat

money laundering, the financing of terrorism and other illicit activity. It requires the disclosure of “Beneficial Ownership Information” for certain business entities and their owners or persons with control over the business. It is anticipated that over 32 million businesses will be required to comply with this new reporting requirement related to corporate governance. The information that will need to be reported includes the full legal name of the reporting company and any trade or DBA names, business address, state of formation or registration, and taxpayer identification number. In addition, each reporting company must report for its beneficial owners, including their name, birthdate, address and submit an acceptable form of identification, such as a driver’s license or passport. A beneficial owner is defined as any individual who owns at least 25 percent of the reporting company or exercises substantial control over the reporting company, such as a President or CEO.

We strongly recommend that you contact your attorney to assist with determining your filing requirements, if any, and to assist with timely compliance.

*Continued on Page 5*

**Urgent Reminder**

## TOOLS, TIPS AND TIDBITS

### Tax Year 2024 Key Amounts

#### Standard Deduction

- Married filing jointly — \$29,200
- Single/Married filing separately — \$14,600
- Head of household — \$21,900

#### Additional for Elderly (over age 65)

- Married filing jointly — \$1,650
- Single — \$1,950

#### Child Tax Credit

- Credit — \$2,000
- Maximum refundable — \$1,700
- Phase-out — MFJ \$400,000, Single \$200,000

#### Other Dependents — \$500 (nonrefundable credit)

#### Standard Mileage Rates

- Business — 67¢ per mile
- Medical — 21¢ per mile
- Charitable — 14¢ per mile

### Tax Year 2025 Key Amounts

#### 401(k) Contribution — \$23,500

- Age 50 and older catch-up — \$7,500

#### IRA (Traditional & Roth)

- Maximum contribution — \$7,000
- Age 50 and older catch-up — \$1,000

#### Health Savings Accounts (HSA)

- Individual contribution limit \$4,300
- Family contribution limit \$8,550
- Additional \$1,000, if age 55 or older

#### Flexible Savings Accounts (FSA)

- Household limit — \$3,300
- Carryover allowed — \$660

#### Social Security Wage Base — \$176,100

#### NYSSUI Wage Base — \$12,800

#### Gift Tax Exclusion — \$19,000

## Understanding ACA Medical Loss Ratio Rebates

*By Joseph M. Becht, CPA, CGMA, Senior Manager*

The Affordable Care Act (ACA) introduced important changes to the healthcare system, one of which is the Medical Loss Ratio (MLR) provision. This provision is designed to ensure that insurance companies spend a significant portion of the premiums they collect on medical care and services, rather than on administrative costs or profits. Specifically, insurance carriers are required to spend at least 80 percent of premiums for individual and small group policies, and 85 percent for large group policies on healthcare services. If they do not meet these requirements, they must issue rebates to their policyholders.

For the 2023 plan year, insurance carriers are obligated to calculate their MLR and determine whether they owe any rebates. These rebates were to be issued to consumers by September 30, 2024. This means that if you had an insurance plan during this period, you may receive a rebate if your insurance company did not meet the required spending thresholds. This is an important aspect of the ACA, as it aims to keep insurance companies accountable for how they use the money they collect from consumers.

### ***So, how does the MLR provision work?***

The MLR is calculated based on the total premiums collected and the amount spent on medical care. For example, if an insurance company collects \$100,000 in premiums and spends \$75,000 on medical services, its MLR would equal 75 percent. Since this is below the required 80 percent for individual

plans, the company would need to issue rebates to policyholders. This calculation encourages insurance companies to prioritize patient care and minimize unnecessary administrative expenses.

### ***If you receive a rebate, it is essential to understand what to do next.***

Typically, rebates can be issued in the form of checks, direct deposits, or credits on your insurance premium. When you receive your rebate, carefully read any accompanying information to understand how it is being provided. It is also a good idea to keep records of the rebate, as it may impact your tax filings, depending on your individual circumstances.

If you are a participating employee who paid a portion of your health insurance premiums, you should consult with your accountant or financial advisor for details. Rebate portions that are considered plan assets need to be used to reduce the participating employee premiums for the upcoming year, used to provide enhanced plan benefits, or distributed to participants. In the case where the employer contributes 100 percent of the total premium, and the employee makes no contributions, the employer has the right to keep the entire rebate.

Finally, the coordination of rebate payments can vary by insurance carrier. Some companies may send out rebates automatically, while others might require you to take specific steps to claim yours.

## Qualified Charitable Distributions from an IRA Account

By Richard J. Gilmartin, CPA, Principal

A qualified charitable distribution (QCD) is a nontaxable distribution made from a taxpayer's individual retirement account (IRA) directly to a qualified charity. To qualify for this type of distribution, the taxpayer must be at least 70 ½ years old. The maximum amount that can be transferred from an IRA account to a qualified charity is limited to \$105,000 for 2024 (\$210,000 for married couples filing jointly). The QCD limit is indexed annually for inflation.

One benefit of making a QCD is that it satisfies all or part of an individual's IRA required minimum distribution (RMD) for the year. For example, if an individual's RMD is \$20,000 and

they make a \$15,000 QCD, only the difference of \$5,000 is required to be withdrawn from their IRA account to meet the RMD.

Another significant benefit of the QCD is that the amount is not includable in taxable income for the individual making the QCD. This benefit could lower the individual's percentage of Social Security income that is subject to income tax, prevent the individual from being assessed higher Medicare premiums as a "high income beneficiary," and might even keep the individual in a lower tax bracket. For example, a 75-year-old individual who is single and has a 2024 RMD of \$100,000, could make a \$100,000 QCD and thereby prevent the full amount from being includable in their 2024 taxable income. However, it is

important to note that a taxpayer cannot claim a charitable deduction for any QCD.

Other important points to consider are: since the QCD reduces the IRA account balance, it may reduce required minimum distributions from the IRA account in future years; the money needs to be a direct transfer from the IRA funds custodian to the charity; and before making the QCD, donors should check with the charity to be sure they are qualified to accept QCD's.

If charitable giving is part of your overall financial plan, a qualified charitable distribution can serve to further your philanthropic goals while reducing your income tax liability.

## Don't Forget to Request W-9s From Your Vendors!

As year-end quickly approaches, businesses often face an uptick in activity and can become overwhelmed by the number of tasks required before the start of a new year. Obtaining the necessary W-9's from vendors is one of those tasks that can be commonly overlooked.

IRS Form W-9 serves as a data collection tool to request a taxpayer identification number, as well as the individual or business name and complete address. The information provided on this form is used by a business to determine if an annual information return (Form 1099-NEC and 1099-MISC) is required to be filed with the IRS and issued to the recipient.

As a best practice, businesses should request a completed Form W-9 from all vendors, contractors, and consultants at the onset of doing business and should be part of the onboarding process when setting up a new vendor. The completed W-9 should be obtained before remitting the first vendor payment. It may be more challenging to obtain an initial Form W-9 from vendors later on, particularly if the vendor no longer does business with your company. This will save time and effort come tax season when any required Forms 1099 need to be prepared and filed with the IRS.

As a best practice, W-9's can be scanned and attached directly within the vendor's profile in your

accounting software. This ensures that you have easy access to all documents and that they are organized in one central location. It is essential to retain all W-9 forms and request a new updated version from your vendors annually.





## A Republican Sweep: Post-Election Outlook

By Michele Loretto, CPA, Senior Manager

The American people have decided, and the election outcome paves the way for President-elect Donald Trump with a Republican-controlled Congress to push through key aspects of his ambitious policy agenda. Trump's victory increases the likelihood that expiring tax provisions in the Tax Cuts and Jobs Act (TCJA) will be either extended or made permanent. We can expect major changes to both tax and economic policies to begin to take shape early next year.

Below are some of the key highlights of what a Trump administration might mean for employers, businesses, and the U.S. economy:

### Business Tax:

- Lower corporate tax rate down to 20%, with an even lower preferential rate of 15% for businesses that produce goods in the United States.
- Restore 100 percent bonus depreciation

### Individual Tax:

- Make permanent the Section 199A - 20 percent deduction for pass-through business income
- Extend TCJA individual income tax cuts
- Reinstate unlimited SALT deduction
- Eliminate tax on Social Security benefits
- Eliminate tax on tip income and overtime pay
- Consider new middle-class tax cut, possibly a payroll tax cut
- Create a tax deduction for auto loan interest on cars made in the U.S.

- Consider replacing personal income taxes with increased tariffs

### Estate Tax:

- Make the estate tax cuts under the TCJA permanent

### Tariffs and Trade:

- Impose a 10 to 20 percent baseline tariff on all U.S. imports
- Impose a higher 60 percent tariff on all goods from certain foreign adversaries
- Impose a 100 to 200 percent tariff on cars imported from Mexico
- Impose a 100 percent tariff on companies that do not use the U.S. dollar and do not produce goods in the U.S., but sell within the United States

### Revenue Raisers:

- Focus on economic growth that will offset the cost of tax cuts without revenue offsets

Tronconi Segarra & Associates will provide additional updates and insight as tax legislation begins to take shape next year.



## ACA Update

By Lisa A. Mrkall, CPA/PFS, MBA, Partner

Tronconi Segarra & Associates' Affordable Care Act Compliance Team is once again ready and able to assist with the reporting associated with the Employer Mandate of the ACA. If you employed 50 or more full-time employees in the prior year (including full-time equivalents) your organization is subject to the ACA reporting requirements and required to comply with the 1094/1095 reporting, whether fully insured or self-insured.

Employers subject to the mandate must furnish Form 1095 to their full-time employees no later than March 3, 2025. These employers are also required to file the applicable forms with the IRS no later than February 28, 2025 (if prepared & filed manually) or by March 31, 2025 (for electronic filers). The IRS drastically reduced the threshold for e-filing last year. All employers that file a combined total of 10 or more information returns, including Forms 1094-C and 1095-C, must file the forms electronically.

The affordability rate for plan years beginning in 2025 is 9.02 percent (an increase from 8.39 percent for plan years beginning in 2024). Employers must offer affordable coverage using one of three safe harbor methods: the W-2 safe-harbor method, the Rate of Pay safe-harbor method, or the Federal Poverty Line safe-harbor method.

The ACA Team at Tronconi Segarra & Associates is ready to electronically handle your 2024 IRS and state reporting needs as well as perform affordability testing.

## 2024 Final RMD Regulations

By Lisa A. Mrkall, CPA/PFS, MBA, Partner

During the summer, the IRS released final regulations updating the required minimum distribution (RMD) rules for retirement plans. The Secure Act and Secure Act 2.0 made significant changes to the RMD rules applicable to retirement plan participants during their lifetimes and to beneficiaries after their deaths. For participants, a key change was the applicable required beginning date (RBD) for commencing plan distributions. Prior to the Secure Act, this date was defined as the later of April 1 of the calendar year following the year in which the participant attained age 70½ or the year the participant retired from employment with the employer maintaining the plan. The RBD age was increased by the Secure Act from 70½ to 72, and then to 73 or 75 with Secure 2.0. Under the final regulations, the applicable RBD age for a participant is:

- Age 70½, if born before July 1, 1949
- Age 72 if born on/after July 1, 1949, and before January 1, 1951
- Age 73, if born on/after January 1, 1951, but before January 1, 1959
- Age 75, if born on/after January 1, 1960

As expected, under the final regulations, distributions to a beneficiary after the participant's death can no longer be spread over the lifetime of the beneficiary but

must be paid out within 10 years unless the beneficiary is an "eligible designated beneficiary" (i.e., a spouse, minor child, disabled or chronically ill, or not more than 10 years younger than the participant). Furthermore, if the participant's death occurs after their distributions have begun, the benefits to the beneficiary must continue "at least as rapidly" as required by the Internal Revenue Code and comply with the 10-year rule. The final regulations interpret the Code language to require the beneficiary to continue annual distributions after the participant's death rather than allowing the beneficiary to delay receipt of the remaining benefit, provided the full amount is distributed within 10 years of the death.

Additionally, the final regulations allow a surviving spouse who is the sole eligible designated beneficiary to elect to have the post-death RMDs calculated using the actuarial table applicable to a participant's lifetime distributions, which would allow for smaller annual distributions rather than under the single life table normally applicable to beneficiaries. The final regulations and the new 2024 proposed regulations discuss the application of this rule and default rules applicable where the plan terms are silent.

Overall, the final regulations are very comprehensive and address many other aspects of RMDs, including distributions to minor

## Beneficial Ownership Reporting, *continued*

Please note that TSA can only assist with completion of the forms, and we are unable to provide analysis as to whether your entity meets an exemption or whether an officer or key decision maker of the company should be listed as a beneficial owner. These additional services may be viewed as providing legal advice, which we cannot provide as CPAs.

There are only a few short weeks left in 2024 to make sure that you are compliant. Penalties for willful failure to comply with the BOI reporting requirement can result in criminal and civil penalties of \$500 per day up to \$10,000, with up to two years of jail time.



children upon attainment of age 21 and to beneficiaries under certain types of trusts. By staying informed and understanding the updated RMD rules, individuals can make more strategic decisions regarding their retirement savings and distributions.

## **PAYROLL TAX REMINDERS**

### **NYS PAID SICK LEAVE:**

New York's paid sick leave law requires employers to provide up to 56 hours (7 days) of paid sick leave to employees. This requirement is based on the employer's number of employees and net income. For example, employers with 5 to 99 employees must provide up to 40 hours of paid sick leave per calendar year. Additional details available on the NYS website at: <https://www.ny.gov/programs/new-york-paid-sick-leave>

### **NYS PAID FAMILY LEAVE:**

In 2024, eligible employees can take up to 12 weeks of paid family leave (PFL). These benefits extend to domestic workers who were hired directly by private homeowners. These employees must be working 20 or more hours a week and have been employed by the private homeowner for 26 consecutive weeks. Employees taking paid family leave will receive 67% of their average weekly wage (AWW), up to a cap of 67% of the current New York State Average Weekly Wage (NYSAWW) of \$1,718.15. The maximum weekly benefit for 2024 is \$1,151.16. For 2025, the NYSAWW is \$1,757.19, which means the maximum weekly benefit is \$1,177.32.

In **2024**, the contribution is **0.373%** of an employee's gross wages each pay period. The maximum annual contribution is \$333.25. Employees earning less than the current NYSAWW of \$1,718.15 will contribute less than the annual cap of \$333.25, consistent with their actual wages.

For **2025**, the contribution rate goes up to **0.388%** of employees' gross wages, capped at an annual maximum of \$354.53. Employees earning less than the NYSAWW of \$1,757.19 will contribute less than the annual cap of \$354.53, consistent with their actual wages. Additional details available on the NYS website at: <https://paidfamilyleave.ny.gov/2025>.

### **OVERTIME RULES FOR EXEMPT EMPLOYEES:**

New York State salary thresholds for exempt employees are as follows: Administrative and executive employees, located outside of New York City and downstate counties, must earn **\$1,161.65** per week to be exempt from overtime pay, in **2025**. The exempt salary provisions provide scheduled annual increases for New York employees. More information can be found at: <https://dol.ny.gov/minimum-wage-frequently-asked-questions>.

## **DUE DATES FOR W-2s:**

The due date for filing 2024 Forms W-2 and W-3 with the Social Security Administration (SSA) is January 31, 2025. This is the same date that W-2 forms are due to the employees. Extensions of time to file Form W-2 with the SSA, for a period of 30 days, can be obtained by filing Form 8809. However, the IRS will only grant this extension in extraordinary circumstances or catastrophe.

The IRS has also increased penalty amounts for failing to file and furnish correct W-2 forms by the due date. Instructions for Forms W-2 and W-3 are available on the IRS website at:

[www.irs.gov/pub/irs-pdf/iw2w3.pdf](http://www.irs.gov/pub/irs-pdf/iw2w3.pdf).

## **ADDITIONAL REMINDERS:**

- It is very important to ***NOT IGNORE*** any information received from your payroll processing company regarding year-end processing. This will help them to prepare complete and accurate W-2s for your employees. It is costly to prepare the W-2 and year-end reports a second time.
- When preparing 2024 W-2 forms or providing your payroll company with W-2 information, be sure to include all the taxable income and benefits an employee earns. Examples are:
  - Personal use of a company vehicle.
  - Health insurance and dental and long-term care premiums paid on behalf of a greater than 2% S-corporation shareholder (exempt for FICA and FUTA).
  - PS-58 cost for group term life insurance benefits in excess of \$50,000.
  - Dependent care benefits.
  - Employee pension information.
- Be sure to include disability income (third-party sick pay) an employee earns. It is important to report this information to your payroll processing company before year-end to be included in fourth-quarter reports and W-2s.
- FICA (Social Security) withholding rates remain unchanged at 7.65%, comprised of 6.2% for Social Security and 1.45% for Medicare. The employer is required to contribute a matching amount when making the tax deposit. The self-employed rate also remains at 15.3%, comprised of 12.4% Social Security and 2.9% Medicare. The maximum amount of taxable annual earnings subject to the Social Security tax and self-employment tax is **\$168,600** for 2024, increasing to **\$176,100** for 2025. All earnings are subject to the Medicare tax.
- Additional Medicare Tax: Employees are also subject to a 0.9% additional Medicare tax on all wages and self-employment income in excess of **\$200,000** for single filers and **\$250,000** for joint filers.

- The minimum-wage rate for New York State employees, outside of NYC and Long Island, for 2024 is \$15.00 per hour, increasing to \$15.50 January 1, 2025.
- The minimum wage for tipped food-services workers is **\$10.00** per hour if they earn \$5.00 per hour in tips.
- Overtime for tipped workers is calculated at time-and-one-half the minimum wage rate, less the applicable tip credit. For example, the overtime rate for tipped food services workers is **\$17.50** [(\$15.00 x 1.5) – \$5.00] per hour.
- Currently minimum wage for fast-food employees in NYS is **\$15.00 per hour**. Increasing to \$15.50 per hour in January 1, 2025.
- For 2024, minimum wage for home care aide employees, outside of New York City, is **\$17.55** per hour (\$2.55 above basic minimum wage). This will increase to \$18.10 on January 1, 2025.
- More information on New York minimum wage rates can be found at: <https://dol.ny.gov/minimum-wage-0>.
- The amount that can be deducted per week for disability insurance remains at .005% of gross wages with a maximum of \$.60 per week.
- The Federal unemployment base wage will remain at **\$7,000** for taxable wages. The federal unemployment tax rate is 6%.
- The New York State unemployment wage base is **\$12,500** and **\$12,800** for 2024 and 2025, respectively. New York will be notifying you of your 2025 unemployment rate around February 1, 2025. If you use a payroll service such as ADP or Paychex, be sure to send them this notification.
- All new employees will need to complete and return to you:
  - **W-4** form for federal withholdings.
  - **IT-2104** form for New York state withholdings.
  - **Form I-9** –Employment Eligibility Verification. Be sure that you are using the current revision of this form with an expiration date of May 31, 2027. Current versions can be obtained at <https://www.uscis.gov/i-9>.
  - You are also required to provide all new employees with the **New York State Notice and Acknowledgement of Pay Rate and Payday**.
- Federal tax deposits: If you are NOT using a payroll service for payroll tax deposits, you will need to enroll your business and make payments electronically. Information on Electronic Federal Tax Payment System (EFTPS), including how to enroll, can be found at <https://www.eftps.gov/eftps> or by calling EFTPS Customer Service at 1-800-555-4477.



## **FORM 1099 UPDATES & REMINDERS**

### **E-FILING THRESHOLD FOR INFORMATION RETURNS:**

As per regulations that the IRS released on February 23, 2023, the e-file threshold for certain information returns is 10 returns. The threshold was 250 returns before this regulation was established.

The new regulations eliminated the non-aggregation rule for the e-file threshold. Prior to calendar year 2023, the 250-return threshold was based on 1099 form type (i.e., 1099-INT, 1099-DIV). For the calendar year 2024, the 10-return e-file threshold is met when filing 10 or more information returns in total, regardless of the number of each specific form type filed.

### **1099-K REQUIREMENTS:**

Payments of more than \$5,000, made with a credit card or payment card and certain other types of payments, including third-party network transactions, must be reported on Form 1099-K by the payment settlement entity. Note that these payments are not subject to reporting on Form 1099-MISC.

Money received through third-party payment applications from friends and relatives as personal gifts or reimbursements for personal expenses are not taxable.

### **DUE DATES:**

Form 1099-NEC must be filed with the IRS on or before January 31, 2025, using either paper or electronic filing procedures. Form 1099-MISC should be filed with the IRS by February 28, 2025, if paper filed, or March 31, 2025, if filed electronically.

Note: All 1099s are due to the recipients by January 31, 2025.

### **ADDITIONAL REMINDERS:**

The Internal Revenue Service requires anyone engaged in trade or business to file Form 1099.

Please confirm that all ID numbers and Social Security numbers are accurate before completing your 1099s.

The IRS can charge a penalty from \$60 to \$310 per form, depending on the time period past the deadline for issuing the form. If the non-filing or incorrect filing is intentional, the IRS can levy a minimum penalty of \$630 per form or up to 10% of the income reported on the form.

You must file Form 1099 for each person, to whom you have paid during the year:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest.
- At least \$600 in rents, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, section 409A deferrals, nonqualified deferral compensation, and generally, the cash paid from a notional principal contract to an individual, partnership or estate.
- Any fishing boat proceeds.
- Gross proceeds of \$600 or more paid to an attorney; or
- **Reportable Payments to Corporations** – In general, payments to corporations do not need to be reported on a 1099. However, the following payments made to corporations generally must be reported:
  - Cash payments for the purchase of fish for resale;
  - Medical and health care payments;
  - Gross proceeds paid to an attorney; and
  - Substitute payments in lieu of dividends or tax-exempt interest;

Tronconi Segarra & Associates offers E-file services for Form 1099s. Let us know if you would like us to E-file your Form 1099s.

As always, we are available to answer any questions you may have. Please do not hesitate to contact us.