Behind Exciting Long-Term Business Growth is a Boring Bookkeeper…

The end of the year is a busy time for many reasons. Holidays, travel plans and family visits consume most of our days starting in November through January 1. But as a small business owner, there is even more you have to handle at the end of the year.

Right now, is the time of year when your business really needs your attention, especially in regard to accounting. Doing so not only helps you close out the current year on a high note, but it also sets you up for starting off the next year on the right foot.

Is your business on par with the following accounting tasks?

• **Monthly bank, credit card and loan reconciliations —** For the year-end, it is important to make sure what you show on your financial statements matches up with your bank and credit card accounts and your year-end statements.

• **Reconcile your accounts receivable and accounts payable —** There is a tendency to forget to collect on your invoices if you do not use invoicing software. Without a good collection system like QuickBooks, you may be missing out on the money you are owed.

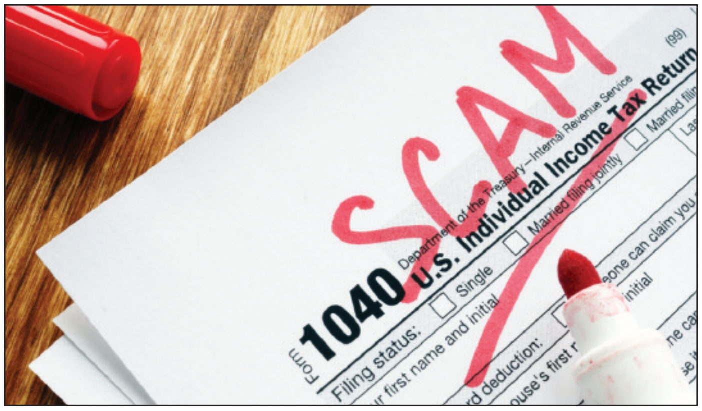
• **Gather and Organize Your Receipts —** It is important to gather and organize your business-related receipts. A shoebox full of receipts is the last thing your CPA wants to see. There are many apps available to download, which will simplify this.

• **Check Payroll —** A few common areas to watch out if you're worried about end of year accounting are withholding taxes for fringe benefits, deferred compensation, and end of year bonuses.

• **Collect W-9s —** Did you use vendors this year? If so, you will have to collect W-9 forms for some of them. The W-9 form can be used as a paper trail for the IRS to track your expenses. For every vendor that you have spent $600 or more for services, you are required by law to issue and complete a 1099 form. The 1099 must be filled out and sent to the IRS by January 31st.

• **Take Physical Inventory —** For some of you, there is no need to take physical inventory. For others, getting an accurate account of your inventory is important. You will want to match it with your end of year balance sheet. It will also be helpful for your bookkeeper, especially to know how much you have spent on inventory throughout the year and its current value.

If the above-mentioned tasks are in a foreign language to you, or if you know that there is not enough time in the day to tackle this checklist, call Breslow's Bookkeeping Business at 215.272.5217 today.



Understanding How the IRS Contacts Taxpayers

Provided by H&R Block

There are special instances where an IRS revenue officer or revenue agent may visit a home or business related to an unpaid tax bill or an audit; the IRS urges people with tax issues to understand the circumstances around these visits and also help protect themselves against imposters.

Here's how you can know if a person calling or visiting your home or place of business is a legitimate IRS employee or an imposter.

Text messages: Frequently a scam. The IRS does not send text messages, including shortened links, asking you to verify some bit of personal information. These fraudulent messages often contain bogus links claiming to be IRS websites or other on-line tools. Other than IRS Secure Access, the IRS does not use text messages to discuss personal tax issues, such as those involving bills or refunds.

If you receive an unsolicited SMS/text that appears to be from either the IRS or a program closely linked to the IRS, you should take a screenshot of the text message and include the screenshot in an email to phishing@irs.gov with the following information:

• Date, time, and time zone you received the text message.

• Phone number that received the text message.

Do not click links or open attachments in unsolicited, suspicious, or unexpected text messages whether from the IRS, state tax agencies, or others in the tax community.

Email: Many tax scams involve email. The IRS does not initiate contact with taxpayers by email to request personal or financial information. The IRS initiates most contacts through regular mail. If you receive an unsolicited fraudulent email that appears to be from either the IRS or a program closely linked to the IRS, report it by sending the email as an attachment to phishing@irs.gov. The Report Phishing and Online Scams page at IRS.gov provides complete details.

Mail and phone contacts are first steps with a tax issue. Taxpayers will generally first receive several letters from the IRS in the mail before receiving a phone call. However, there are circumstances when the IRS will call, including when a taxpayer has an overdue tax bill, a delinquent or unfiled tax return, or has not made an employment tax deposit.

The IRS does not leave pre-recorded, urgent, or threatening voice messages. Additionally, the IRS (and its authorized private collection agencies) will never:

- Call to demand immediate payment using a specific payment method such as a pre-paid debit card or gift card. The IRS does not use these methods for tax payments.
- Threaten to immediately bring in local police or other law-enforcement groups to have you arrested for not paying.
- Demand that taxes be paid without giving you the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone.

All tax payments should only be made payable to the U.S. Treasury and checks should never be made payable to third parties. For anyone who does not owe taxes and has no reason to think they do: Do not give out any information. Hang up immediately.

In-person visits: What to know. IRS revenue officers generally make unannounced visits to a taxpayer's home or place of business to discuss taxes owed or tax returns due. Keep in mind this important point: Taxpayers would have first been notified by mail of their balance due or missing return. A limited exception involves revenue officer contacts while working a small number of "alert" cases, designed to help businesses from falling behind on withheld employment taxes before a balance due notice is created or mailed. Revenue officers are IRS civil enforcement employees whose role involves education, investigation, and when necessary, appropriate enforcement steps to collect a tax debt. A revenue officer will help a taxpayer understand their tax obligations as well as the consequences for not meeting the obligations.

IRS revenue agents will at times visit an individual, business, or non-profit who is being audited. That taxpayer would have first been notified by mail about the audit and set an agreed-upon appointment time with the revenue agent. Also, after mailing an initial appointment letter to a taxpayer, an auditor may call to confirm and discuss items pertaining to the scheduled audit appointment.

When visited by someone from the IRS, you should always ask for credentials or identification. IRS representatives can always provide two forms of official credentials: IRS-issued credentials (also called a pocket commission) and an HSPD-12 card. The HSPD-12 card is a government wide standard form of identification for federal employees.

For more information, visit How to Know if it's Really the IRS Calling or Knocking on Your Door on IRS.gov, and the IRS Taxpayer Bill of Rights.

Helpful information on resolving tax issues. For individuals, businesses, and nonprofits with outstanding tax issues, there are a number of easy ways to get assistance and to help them meet tax obligations. There is a special section on IRS.gov focused on payment options. These include paying taxes through an Online Account with IRS Direct Pay or paying by debit card, credit card or digital wallet. The IRS has options for people who cannot pay their taxes, including payment plans. Recently, the IRS announced expanded voice bot options to help eligible taxpayers easily verify their identity to set up or modify a payment plan while avoiding long wait times.

Remember that the IRS will not:

- Call to demand immediate payment using a specific payment method such as a pre-paid debit card, gift card, or wire transfer. Generally, the IRS will first mail a bill to any taxpayer who owes taxes.
- Demand you pay taxes without the opportunity to question or appeal the amount they say you owe. You should also be advised of your rights as a taxpayer.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in local police, immigration officers or other law enforcement to have you arrested for not paying. The IRS also cannot revoke a driver's license, business license, or immigration status. Threats like these are common tactics scam artists use to trick victims into buying into their schemes.

Taxpayers who have filed a petition with the U.S. Tax Court may receive a call from an appeals officer to discuss their tax dispute and options for resolution. During the call, the appeals officer will provide their name, their badge number, and their contact information including their phone number, e-fax, and email address. The appeals officer will also know the docket number, as well as specifics regarding the case.

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Appeals employees will never ask for credit card or banking information. If an appeals officer cannot reach a taxpayer by phone, they may leave a general voicemail message. When an appeals employee leaves a voicemail, they will include self-identifying information such as their name, title, badge number, and contact information.

Also, during this call, appeals employees may ask taxpayers to submit additional documentation regarding their petition directly to the Independent Office of Appeals via mail, fax, or to an email address ending with @irs.gov.

Also note, taxpayers can contact the Taxpayer Advocate Service, which is an independent organization within the IRS that helps taxpayers and protects taxpayers' rights. They can offer taxpayers help if their tax problem is causing financial difficulty, they have tried and been unable to resolve the issue with the IRS, or they believe an IRS system, process, or procedure just is not working as it should. Visit Taxpayer Advocate Service or call 877.777.4778 for more information.

Taxable Social Security Benefits – 2023

Provided by H&R BLOCK®

You may have to pay federal income taxes on your Social Security benefits. This usually happens only if you have other substantial income (such as wages, self-employment, interest, dividends and other taxable income that must be reported on your tax return) in addition to Social Security benefits.

Taxable Benefits

To determine the amount of Social Security or Railroad Re tirement benefits that may be taxable, you must compare the base amount with the total of:

1) One-half of the benefits received, plus

2) All other income, including tax-exempt interest.

Other income is not reduced by any exclusions for:

- Interest from qualified U.S. Savings Bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned by bona fide residents of American Samoa or Puerto Rico.

Taxable Social Security Base Amounts

Single, Head of Household, or Qualifying Surviving Spouse........$25,000

Married Filing Separately and lived apart from spouse all year........$25,000

Married Filing Jointly........$32,000

Married Filing Separately........$0

Worksheet to Determine if Benefits May Be Taxable

A) Amount of Social Security or Railroad Retirement Benefits A)______

B) One-half of amount on line A .... B)______

C) Taxable pensions, wages, interest, dividends, and other taxable income.......... C)______

D) Tax-exempt interest plus any exclusions from income .... D)______

E) Add lines B, C, and D.......... E)______

If the amount on line E is less than or equal to the base amount, none of the benefits are taxable. If the amount on line E is more than the base amount, some of the benefits may be taxable.

Example #1: *John and Betty, a married couple both age 68, are retired and receive the following income:*

Source	*John*	*Betty*
Social Security	$ 7,500	$3,500
Pension	$16,000	$6,000
Interest	$250	$250

John and Betty file a joint tax return. Their income used to deter mine if Social Security benefits are taxable ($28,000) is less than the taxable Social Security base amount ($32,000) for joint filers. None of their Social Security benefits are taxable.

Worksheet to Determine if Benefits May Be Taxable

A) Amount of Social Security or Railroad Retirement Benefits.......... A) $11,000

B) One-half of amount on line A .... B) $ 5,500

C) Taxable pensions, wages, interest, dividends, and other taxable income .... C) $22,500

D) Tax-exempt interest plus any exclusions from income .... D) $ 0

E) Add lines B, C, and D.......... E) $28,000

PLANNING TIP: *If the only income received during the year was Social Security or Railroad Retirement benefits, the ben efits are generally not taxable. You should consider the con sequences of taking taxable IRA distributions and/or doing Roth conversions. Careful planning must be made to not take too large of a distribution so as to cause Social Security or Railroad Retirement benefits to be taxable.*

Example #2: *Assume the same facts as Example #1, however, the combined interest income for John and Betty is $10,000 in stead of $500. Their income used to determine if Social Security benefits are taxable ($37,500) is greater than the taxable Social Security base amount ($32,000) for joint filers.Therefore, some of their Social Security benefits are taxable.*

Worksheet to Determine if Benefits May Be Taxable

A) Amount of Social Security or Railroad Retirement Benefits .... A) $11,000

B) One-half of amount on line A ....B) $5,500

C) Taxable pensions, wages, interest, dividends, and other taxable income ....C) $32,000

D) Tax-exempt interest plus any exclusions from income .... D) $ 0

E) Add lines B, C, and D............E) $37,500

How Much Is Taxable?

Generally, up to 50% of benefits will be taxable. However, up to 85% of benefits can be taxable if either of the follow ing situations applies.

- The total of one-half of the benefits and all other income is more than $34,000 ($44,000 for Married Filing Jointly).
- You are filing Married Filing Separately and lived with your spouse at any time during the year.

Who is taxed. Benefits are included in the taxable income (if taxable) for the person who has the legal right to receive the benefits.

Example: *Lisa receives Social Security benefits as a surviving spouse who is caring for two dependent children, Christopher, age 9, and Michelle, age 7. As dependents of their deceased father, Christopher and Michelle also receive Social Security benefits. The benefits for Christopher and Michelle are made payable to Lisa. When calculating the taxable portion (if any) of the benefits received, Lisa uses only the amount paid for her benefit.*

The amounts paid for Christopher and Michelle must be added to each child's other income to see whether any of those benefits are taxable to either of the children.

Withholding. You can choose to have federal income tax withheld from Social Security or Railroad Retirement benefits by completing Form W-4V, *Voluntary Withholding Request.*

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Investments That Help Reduce Taxable Social Security Benefits

You may be able to reduce taxable Social Security benefits by reallocating investments that are generating income which is includable in the calculation used to determine taxable Social Security benefits to investments that do not generate includable income.

Tax Planning Strategies

U.S. Series EE and Ibonds. If you are earning taxable interest income from a bank CD that is causing a portion of Social Security benefits to be taxed, you could switch the investment to U.S. savings bonds. Annual purchase limits apply.

Nonqualified annuities. Like interest accrued on U.S. savings bonds, earnings on a nonqualified annuity are deferred until the investment is cashed in. One advantage of choosing nonqualified annuities rather the U.S. savings bonds is there is no annual limit on the amount of principal that can be invested.

Real estate, gold, and other investments that produce capital gains. By switching investments from mutual funds and stocks that produce dividend income to investments that produce capital gains, you may realize tax savings by reducing the amount of Social Security benefits subject to tax.

Contact H&R BLOCK: There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement
- Notice from IRS or other revenue department
- Divorce or separation.
- Self-employment
- Charitable contributions of property in excess of $5,000.

H&R BLOCK

SELF-EMPLOYMENT TAX 101 FOR SMALL BUSINESS OWNERS

When you have made the transition from someone else's employee to being your own boss, you gain the autonomy to create your own professional path. You get additional responsibilities, as well—including paying self-employment tax.

Self-employed individuals are required to not only directly submit the income tax they owe to the federal, state, and local governments, they must also remit self-employment tax to the IRS.

Who Is a "Self-Employed Individual"?

The IRS defines a self-employed individual as someone who conducts business as a sole proprietor, independent contractor, member of a partnership, or as someone who otherwise is in business for herself or himself.

What is Self-Employment Tax?

According to IRS.gov (https://www.irs.gov/businesses/small-businesses-self-employed/self-employed-individuals-tax-center), "Self-employment tax is a tax consisting of Social Security and Medicare taxes primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners."

Employees of a company pay half of their Social Security and Medicare taxes (usually withheld from their wages) and the employer pays the other half. As a self-employed individual, however, a business owner must remit the entire amount. Most self-employed persons, because their tax typically is not withheld from paychecks, must estimate their self-employment and income tax amounts due and pay them on a quarterly basis.

Similar to the FICA tax that wage earners working for employers pay, the self-employment tax rate for tax year 2018 is 15.3 percent on the individual's first $128,400 of net income and then 2.9 percent on net income beyond that. The

rate consists of two parts: 12.4 percent for social security and 2.9 percent for Medicare.

To pay self-employment tax, an individual must have a Social Security number or an individual taxpayer identification number. Schedule SE (Form 1040) can be used to calculate self-employment tax. Self-employed individuals can deduct the employer-equivalent portion (half of the total self-employment tax) in computing their business's adjusted gross income, reducing the business income subject to income tax.

Tips for Staying on Track with Your Self-Employment Tax

Neglecting to pay your taxes can result in fines and penalties, so it is critical to stay current. Talk with an accountant and/or tax professional for assistance in understanding your tax obligations.

Here are some additional tips for consideration:

Talk with an accountant and/or tax professional for assistance in understanding your tax obligations.

• Check the IRS Calendar for upcoming deadlines (https://www.tax.gov/calendar/), and consider setting up reminders (https://www.tax.gov/calendar/Reminders/), so you are notified of approaching tax deadlines.

• Keep accurate and up-to-date accounting records to help you more accurately calculate your taxes and budget for them.

• Visit the IRS.gov website (https://www.irs.gov/businesses/small-businesses-self-employed) for additional information.

In addition, for guidance on all aspects of starting and running your business, contact SCORE to talk with a mentor. A SCORE mentor can help you navigate the uncharted territory of being self-employed.

Since 1964, SCORE "Mentors to America's Small Business" has helped more than 10 million aspiring entrepreneurs and small business owners through mentoring and business workshops. More than 11,000 volunteer business mentors in over 320 chapters serve their communities through entrepreneur education dedicated to the formation, growth and success of small businesses. For more information about starting or operating a small business, contact SCORE TriCounty. You can call 610.327.2673, email tricounty@scorevolunteer.org or visit the website at www.tricounty.score.org.

SCORE is funded in part through a Cooperative Agreement with the U.S. Small Business Administration. All opinions, conclusions, and/or recommendations expressed herein are those of the author and do not necessarily reflect the views of the SBA.