ClientLine®

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SECURE ACT 2.0 FOR BUSINESSES

Karen Petrucco
Account Manager
LTM Client Marketing
45 Prospect Ave
Albany, NY 12206
Tel: 518-870-1082
Toll Free: 800-243-5334 ext.505
Fax: 800-720-0780
kpetrucco@ltmclientmarketing.com
www.ltmclientmarketing.com

Building on the 2019 SECURE ACT, the 2022 Securing a Strong Retirement Act (commonly referred to as SECURE 2.0) was passed to help boost savings in workplace plans, extend support to small businesses that want to help employees prepare for retirement, and increase tax incentives for small businesses. Here are some of the corporate highlights.

TAX CREDITS RISE

SECURE 2.0 increases the startup credit to cover 100% (up from 50%) of administrative costs up to $5,000 for the first three years of plans established by employers with up to 50 employees. It also clarifies that small businesses joining a multiple employer plan (MEP) are eligible for the credit.

AUTO-ENROLLMENT EXPANDS

Beginning in 2025, 401(k) and 403(b) plans will be required to automatically enroll eligible participants, though employees may opt out of coverage. There is an exception for small businesses with ten or fewer employees and new companies less than three years old. The expansion of automatic enrollment will help more workers save for retirement, particularly younger, lower-paid workers.

STARTER PLANS AVAILABLE

Next year, employers who do not already offer retirement plans will be permitted to provide a starter 401(k) plan, or safe harbor 403(b) plan to employees who meet age and service requirements. Through the starter plans, the limit on annual deferrals would be the same as the IRA contribution limit, and employers may not make matching or nonelective contributions to starter plans.

PART-TIME WORKERS BENEFIT

Starting in 2025, employers will be required to allow part-time employees (workers with over 500 hours per year for two consecutive years) to participate in their retirement plan after two years of service. Employees with over 1,000 hours of service must be included after one year of service.

SECURE 2.0 also made numerous changes to how company retirement plans operate. You'll need to understand how these changes will impact your business—especially if you want to include a retirement plan in your employee benefits package.

AMENDED TAX RETURN TIPS

If you filed your 2022 tax return already but realized you missed some information, you can amend your return by filing Form 1040-X.

An amended return is necessary for things like, forgetting to claim taxable income, or claiming the wrong tax filing status.

But before filing your return, ensure the IRS has already processed your original return. This will help ensure the IRS doesn't get your original and amended returns mixed up. Check the status of your return after three weeks at *https://www.irs.gov/filing/wheres-my-amended-return* or call 866-464-2050.

Be sure to attach any documents or tax forms that support your changes. And check to see if you have to amend your state return. Contact your tax advisor for assistance.

CLIENT PROFILE

The Sunbelt Company is revising its travel policy for employees who must travel for company business. Management is considering whether to adopt a per diem policy or stick with their current one, which covers employees' actual expenses. Why should we change to a per diem policy?

Per diem expense policies provide employees with a fixed daily rate to cover most travel expenses. These types of policies allow for easier recordkeeping and budgeting. It lets employees avoid collecting stacks of receipts and eliminates variability in trip expenses. As long as your company policy conforms to the IRS per diem rules, your traveling employees won't have to provide a record of every meal they purchased.

Alternatively, companies can offer a hybrid approach, using a per diem rate for typical travel. Perhaps when an employee is traveling to a high-cost location or meeting with a valuable customer or supplier, you could allow employees to charge their actual expenses.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

EASING INTO RETIREMENT OR SEMI-RETIREMENT

Retirement is not a single event. It is a process that begins long before you leave work and continues for the rest of your life. Here are some tips on how to transition into retirement and beyond.

CONSOLIDATE AND SIMPLIFY

Consolidate your retirement accounts for simplicity. Combining accounts makes managing your money and seeing the big picture easier.

Fewer accounts mean fewer monthly or quarterly statements, fewer companies to notify if you move or want to change beneficiaries, and possibly lower costs. It can also make calculating RMDs easier.

EXAMINE THE NUMBERS

As you move away from working full-time, be sure your monthly and annual budgets are up to date. Include existing expenses that aren't likely to change, such as groceries and utility bills.

Don't forget to include new expenses you may incur in retirement. This includes healthcare costs your employer may have paid for or taxes when you withdraw from tax-deferred retirement accounts.

UPDATE YOUR PLANS

If it's been a while since you've reviewed your estate planning documents, nearing retirement is a good time for a refresher.

While you may focus on ensuring your will and trust documents are up to date, don't forget about your power of attorney, health care directives and guardian nominations.

If your retirement plans include relocating to a new state, consult an attorney in the new location to ensure your estate documents will be valid in that state. Having out-of-state documents can complicate trust and estate administration.

When you update your estate plan, remember to create a list of your accounts and assets and update that list as things change. It is not important to add a value to the account, as those change over time. Make sure to include the name and location of the account and the last four digits of the account number. It is one of the most important things you can do for your beneficiaries to avoid a time-consuming treasure hunt for your assets when you're gone.

PROOF

YOUR FINANCIAL LEGACY AND TAXES

You may think that only other people's estates have tax problems, but that's often untrue. Take steps today to insulate your estate from taxes.

PROJECT AND PLAN

Start with income tax projections and planning at least twice a year. Catch tax problems early with your tax professional and find out if there are ways to minimize or even avoid taxes entirely.

Corporate executives with significant wealth in their employer's stock can develop tax-efficient strategies for diversifying, such as stock donations and creating capital gains budgets.

UNDERSTAND HEIRS

Don't review your own tax situation in a vacuum. Instead, consider your family's overall position.

When you work with your tax professional, provide as much insight

as possible into your multi-generational financial situation to minimize taxes—for you and your entire family.

BE EFFICIENT

Different assets have different tax characteristics. For example, a charity doesn't pay tax on an inherited IRA, but your heirs may. So, whether it is an IRA, real estate, or cash remember the tax consequences that beneficiaries may experience.

Q **Is my mileage for my volunteer work a tax deduction?**

A If you don't receive compensation or reimbursement for volunteer driving, you can deduct 14 cents per mile in 2023 or actual expenses for gas and oil. You can't deduct general repairs and maintenance, insurance, or licensing fees.

You can also deduct any parking or tolls incurred while volunteering, whether you use the actual expenses or the standard mileage rate.

Be sure to keep contemporaneous records of all miles you drive while volunteering. If the charity reimburses you for gas and use of your personal vehicle, any amount received above $0.14 per mile is taxable income to you.

BEST PRACTICES FOR EMPLOYEE REIMBURSEMENTS

Using new technology to report and track employee business expenses can be easier and more accurate.

MODERNIZE REPORTING

Instead of using paper to report employee's expenses you can simplify the process with a virtual expense reporting system that lets employees photograph and submit receipts from an app. This prevents the need for your accounting staff to keep paper files or scan receipts.

ESTABLISH ACCOUNTABILITY

Inform managers and supervisors about the company's expense policies so they can hold their teams responsible for following them.
To ensure high levels of accountability in this area, give managers an easy way to access to approve submitted expenses on their employees' expense reports.

TIME IS VITAL

No one wants to pay $1,000 in travel costs out-of-pocket for a business trip and then wait for weeks while those expenses are reviewed, approved, and reimbursed.
To avoid delays, create service-level timeframes that work for both the company and employees. For example, make clear that associates must submit their expense reports by "X" day of the month, with complete required documentation, to receive reimbursement by "Y" day.

PROOF

SECURE ACT 2.0 FOR INDIVIDUALS

At the end of 2022, Congress passed a new round of laws aimed at creating a secure retirement for Americans. Here are some of the highlights.

RMD AGE INCREASES

Beginning in 2023, the age to start taking required minimum distributions (RMDs) from qualified retirement plans increases from 72 to 73. Then, beginning in 2033, it will increase to 75. You have until April 1 of the year after attaining that age to take your first RMD.

Starting this year, the penalty for failing to take an RMD is reduced from 50% to 25%. If the mistake is corrected in a timely manner, the penalty is reduced to 10%.

INFLATION ADJUSTMENTS

Beginning in 2024, the IRA catch-up contribution amount for taxpayers over age 49 and qualified charitable distributions (QCD) will be indexed annually for inflation.

EXPANDING EXCEPTIONS

Starting in 2024, there will be no early withdrawal penalty on distributions of up to $1,000 per year if needed to meet emergency expenses. There are limitations to taking more than one distribution in a 3-year period.

Starting in 2026, distributions of up to $2,500 per year will be allowed to pay long-term care premiums. Also, there are new exceptions for distributions to domestic abuse and terminally ill individuals. Allowed withdrawals for natural disasters, public service workers, private sector firefighters, and correctional officers have been expanded.

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