ClientLine®

October 2023

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YEAR-END TAX PLANNING

The more your business minimizes its tax liability, the better your bottom line. So, let's look at some things you may be able to do between now and year-end to possibly lower your tax bill in April.

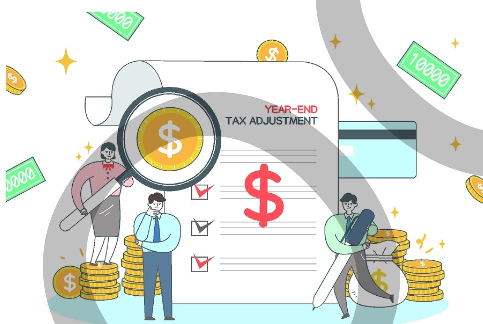
OPTIMIZE DEDUCTIONS AND CREDITS

The more deductions you claim, the lower your taxable income and taxes. The IRS makes several rules available to businesses to accelerate deductions. Use the Sec. 461 recurring items exception to accelerate deductions of certain liabilities, such as warranty costs, rebates, product returns, state income tax, and real and personal property taxes, into 2023. You also may be able to move more deductions to this year by paying annual business expenditures — insurance premiums and software maintenance, for instance — before year-end.

BUSINESS PROPERTY

Plan to purchase business property in the near future? Don't wait. The IRS's Section 179 rule lets you take advantage of special depreciation provisions for qualifying business property and equipment purchased before year-end. This year, businesses can deduct the full cost of qualified property and equipment, up to $1,160,000. Restrictions may apply.

Take advantage of the General Business Credit and any other tax credits your business qualifies for. Deductions offset taxable income. Credits apply dollar for dollar against taxes.



RIGHT COVID SETBACKS

If the business slowdown saddled you with bad business debts, know you may be able to write them off wholly or partially this year. Complete write-off requires you to prove the debt became wholly uncollectible by year-end.

NET OPERATING LOSSES

Also, take advantage of any net operating losses (NOLs) from Covid years. The IRS Net Operating Loss (NOL) provision allows businesses suffering losses in one year to carry forward those losses and deduct them from future years' profits. NOLs may be used to offset up to 80% of current-year profits.

Be aware that these are only a few tax-reducing strategies that may be available to you and that they should be pursued only with the advice of your professional tax advisor.

BEWARE THE WASH SALE RULE

It sounds simple. Sell securities, such as stocks, bonds, ETFs, or mutual funds, in which you have a tax loss for 2023, claim the loss, and repurchase the assets.

Simple, except for the IRS's pesky wash sale rule. The rule specifies that if you buy or acquire a substantially similar security within 30 days before or after you sell it, you cannot deduct any loss on the sale.

CLAIM YOUR LOSSES

But you have a couple of strategies to use to follow the rules and claim your investment loss. Hold off buying the same or a very similar investment during the 61-day period starting the date of your original purchase and ending 30 days after your sale. If you can't wait, reinvest in a security that isn't substantially similar to the one you sold.

Consult your tax and financial professionals before using any investment sale or purchase as a tax strategy.

CLIENT PROFILE

Connie and her son own Specialty Pet Food and Supplies, a manufacturing business with about 150 employees. She wants to increase the business's 401(k) plan participation. Connie has read that auto-enrollment can successfully boost participation but wonders if the cost of auto-enrollment is worth the increased participation they may get.

She's not alone. A Center for Retirement Research study* shows that cost is the most common reason small businesses setting up 401(k) plans don't go with auto -enrollment.

But Connie may find this isn't necessarily true in the long run. A professional advisor may be able to show Connie plans that have auto-enrollment and escalation built into their systems and offer legally compliant and effective employee communications as part of their standard services package.

Also, with increasing contribution levels, automatic savings can accelerate asset accumulations and lower plan fees. Auto enrollment is highly effective but can be more costly.

**Center for Retirement Reasearch at Boston College, 2023*

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

IS IT TIME FOR THAT TALK?

It may be a toss-up as to who dreads a family talk about your finances and the future more. You or your heirs. Regardless, if you haven't had that talk or it's been a while, there's no time like the present to discuss expectations — yours and theirs — concerning your estate. They could be quite different.

At your meeting, you'll want to share the contents and locations of your will, insurance policies, any trusts you've set up, your retirement plan accounts and beneficiary distributions, and a business succession plan, if appropriate, along with other estate documents.

That may be the easy part. You also need to let them in on your assets in bank, investment, and other financial accounts — something people often have difficulty doing.

If you haven't already named a financial power of attorney and executed a healthcare proxy, a family meeting is a good time to do so or to share your choices if you have.

SHARE YOUR WISHES

It's not just about the money, which is why many advisors encourage in-person meetings to avoid later hard feelings. That way, emotional needs can be addressed, as well as estate and financial information. Make sure everyone understands how you plan to distribute business and personal assets and why. Explain what you value.

If you'd like to see inheritances used for college expenses or a down payment on a home, you may want to set up a trust to distribute funds for those purposes and explain why.

If you want personal property to go to particular people, explain your reasons and list those bequests in your will. You may help avoid family squabbles later.

Be clear about your healthcare proxy and what life-extending measures you do and don't want, and why you've chosen your proxy. It's a difficult task not everyone can handle but needs to accept.

Finally, assure heirs that your professional advisors will be there to help.

Americans had $6.8 trillion invested in 401(k) accounts and $12.5 trillion in IRAs in 2023.

Source: Investment Company Institute

MINIMIZE TAXES — BOOST RETIREMENT FUNDS

Are you looking for another way to minimize your 2023 taxable income for better tax results? Max out your annual contribution to your 401(k) retirement plan account if you haven't already. This strategy is a two-for-one winner.

In 2023, you can contribute as much as $22,500 to your 401(k) plan account, $30,000 if you're age 50 or older. For every additional $1,000 you defer to your account before year-end, you potentially may reduce your federal income tax by $240 if you're in a 24% bracket, $320 in a 32% bracket, $350 in a 35% bracket, and $370 in a 37% bracket.

As for your retirement savings, here's what each additional $1,000 you contribute this year invested at an average annual return of 7% compounded monthly could give you at retirement.

$1,000 in 10 Years
$2,010
$1,000 in 20 Years
$4,039
$1,000 in 30 Years
$8,116

Source: LTM Client Marketing, 2023

Remember, that's just $1,000 more for one year. Think of what you could save for retirement if you contributed more every year.

Q **We plan to revive employee bonuses at our pre-Covid levels this year. A business-owner friend said we can deduct the bonuses for 2023 tax purposes but not actually pay them until 2024. Is this true?**

A Possibly. Your friend may be thinking of the "2-1/2 month rule." Under it, an employer may deduct bonuses earned during a tax year if they pay the bonuses within 2-1/2 months after the end of that year.

But only accrual-basis taxpayers can benefit. Even if you are an accrual-basis taxpayer, you can't deduct the 2023 bonuses in 2024 unless you fix your obligation to pay in writing before year's end.

IRS UPGRADES FOR SMALL BUSINESSES

No need for a crystal ball to discern what small businesses may see ahead from the IRS. It's in the Service's most recent Strategic Operating Plan.* Some of the upgrades the IRS has on the list include:

- The recently launched Online Portal for Businesses to e-file 1099 series information returns (https://www.irs.govfiling/e-file-forms-1099-with-iris) and respond to certain notices online, including LTR0143C "Signature Missing."
- Having the Small Business Online up and running by next tax season. So, your business will be able to see its tax information, track refunds, and schedule and track payments.
- Simplified and mobile-friendly Forms 940, 941, and 944 available in multiple languages.
- The ability for you to respond to the correction of self-employment income, employment-related-ID-theft notifications, and other online notices. Notice language will be simplified.
- Further digitalization of paper forms to include the most popular forms—the 1040 and 941.

Don't hesitate to touch base with us if you have questions about the upgrades and using them or the IRS's Strategic Operation Plan.

**IRS Strategic Operating Plan, https://www.irs.gov/pub/irs-pdf/*

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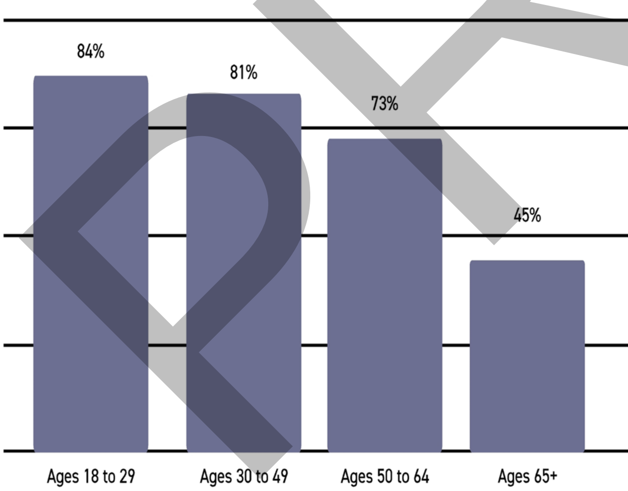
A LOOK AT SOCIAL MEDIA ADVERTISING STATISTICS

The social media advertising market is set to rise to $207.1 billion in 2023, with an estimated 4.53% annual growth expected to take the market to $247.3 billion by 2027. And, while social media usage typically has skewed toward the younger demographic, it is spreading to better mirror the overall population, opening untapped opportunities for all types of businesses.

SOCIAL MEDIA AD USE BY AGE



Sources: Instagram, Real Touch Points, Pew Research and SCORE.org

SOCIAL MEDIA AD USE/RESPONSE