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News and Information – December, 2023

Late Filing Penalties: Late filing of Corporation or Partnership Tax Returns result in steep penalties! This year the penalties are up to \$245.00 per K-1, per month. Corporation/Partnership Tax Returns are due **March 15th** or you must file an extension, we can file this for you just contact us. **The IRS actively penalizes late filers!**

Mileage Rates: 65.5 cents is the mileage rate for businesses in 2023. 2024 has not been disclosed, look on our website www.burrbusiness.com or our **Facebook** page; when it is disclosed, we will post it.

Annual Meeting: All Corporations are **required** to have an annual corporate meeting with all Shareholders, Directors, and Officers present. This can be as simple as a dinner meeting at the Corporation's expense. The Corporation is required to maintain a complete set of records in the Corporation book, which is kept by the appointed Corporation officer. These records must include official signed stock certificates, a complete copy of the Corporation origination papers, copies of the corporate minutes from each year-end meeting, as well as information on Officer wages and Officer loan payments that may be suspended or reduced in any year that the Corporation realizes a loss. **(Form 1) attached**

1099-K: Anyone who used (PayPal, Venmo, Square, Hub Cash Ap, etc.) will receive a 1099-K, if you transfer \$20,000.00 or more or more than 200 transactions. We really need a copy of this as it is a matching item with the IRS for both business and personal. It will change over the next several years.

Pension Credit: For both new and some existing plans, please let us know the cost of the pension set up and matching totals if we are not involved with your plan.

Bonus Depreciation: Falls to 80% in 2023 each following year will be lower.

Employee Benefits: Business-related restaurant meals are back down to 50%.

Pass Thru State: This is a great way to deduct the state at the business level meaning we will not be able to anymore at the personal level. I hold in reserve if we amend back to 2018 (which the law allows) we have to amend the corporate and personal returns. After you pay us to amend all, I am not sure it would be worth it for so many reasons but talk to me if you want to look into this further. This is new and they are still working on solidifying it.

Going Green: Some energy tax credits are available for Commercial Buildings. Are you going solar? 30% credit, electric car/truck credit (ask us).

Year-end planning: If you have any new items, it is not too late to set up a ½ hour year-end planning appointment.

2023 Legislative Session: Hundreds of hours were spent filibustering almost every bill on the floor with more than 2,000 amendments and 1,100 motions that were filed. That same filibuster dramatically decreased the number of bills that successfully made it across the finish line. In the end only 33 bills were passed that contained 291 individually introduced packaged together based on the subject matter they are being referred to as "The Christmas Tree Bills". Nebraska entered this budget setting legislative session with more than \$4 billion in surplus funds at its disposal. That 4 billion comes from historic levels of tax collections that have been taken in by the state. In the end the approved budget set spending at \$5.34 billion in FY2023-24 and \$5.37 billion in TY2024-25, limiting spending growth in the state budget to 2.0% over the next two years. The budget also includes approximately \$1.16 billion in one-time transfers from the cash reserve fund to pay for various projects. Even after those transfers, the state will maintain \$828.8 million in its rainy-day fund in case of future budget shortfalls. Bid ticket items in the budget included hundreds of millions of dollars for the Perkins County Canal, the final funds and spending authorization for a new state prison, billions in property tax credits, foundation aid for students and additional special education funding, income tax cuts, a transition from previously allocated federal ARPA funds for north and south Omaha to instead use general fund dollars and ten relocating those federal funds towards water and infrastructure related projects.

Other Tax Reforms:

New tax credits based on income thresholds for parents with children in daycare as well as for childcare centers.

Tax Treatments of NFT's: For tax purposes, the IRS is planning to treat nonfungible tokens (NFTs) as collectibles not as capital assets when the rights associated with an NFT fall under the definition of collectibles. The distinction is important for investors deciding whether to invest NFTs or other digital assets, like Bitcoin. Treating NFTs as collectibles would result in profits from their sale being subject to the 28% tax on collectibles rather than capital gains subject to a maximum 20% tax rate. Until the agency issues additional guidance, the IRS said it plans to use a look-through analysis to assess whether an NFT should be treated as a collectible. Under that analysis, if the rights a taxpayer owns in an NFT fall under the definition of a collectible, it will be treated as one. Generally, when digital assets are held for more than one year before they are sold, any profits are treated as a capital gain subject to the maximum 20% rate. Plus, any losses from the sale of a digital asset are usually treated as deductible capital losses. However, collectibles held for more than one year are always taxed at the 28% rate. Additionally, the IRS generally does not allow taxpayers to claim a loss on the sale of a collectible held for personal use.

FBAR Penalties Curtailed: In February, the US Supreme Court issued a decision that drastically reduced the penalties the IRS can impose on individuals for non-willful failure to file a Report of Foreign Bank and Financial Accounts (FBAR) each April 15th. The high court ruled that the \$10,000 statutory penalty for non-willful failure to file an FBAR accrues for each report not filed, not per account. As a result, some people who have paid penalties for non-willful failure to file FBAR may be eligible for a refund.

The IRS had been imposing the penalty based on each foreign account, which led to far higher penalty amounts. For example, the IRS said the individual in the Supreme Court case was facing \$2.72 million in FBAR penalties for failing to report a number of accounts over five years. However, under the court's reasoning, the IRS could only impose a \$50,000 penalty for those five years. This could lead to the IRS refunding millions in penalties that had previously been assessed.

Beneficial Ownership Reporting: The Corporate Transparency Act (CTA) was enacted in 2021 and requires that millions of entities report their beneficial ownership information (BOI) to the Financial Crimes Enforcement Network (FinCEN) by the end of 2024. A beneficial owner is an individual who directly or indirectly controls the reporting company or at least 25% of its company's ownership interests

Change of Address: When you move your business or office please do not forget to inform us. We need to send forms in to the IRS and State of Nebraska, this is a very time-consuming process, and unfortunately, we feel we will have to assess a fee of \$45.00 for this service

2024 Corporate Transparency Act Addendum: A new reporting rule goes into effect on January 1, 2024 requiring the filing of a special form directly online with the Financial Crimes Enforcement Network.

- Single member LLC's (even if filing Schedule C), multi-member LLC's, S corporations and C Corporations that are not exempt must disclose beneficial ownership: Within 90 days of formation of a new business in 2024; **or** by December 31, 2024 for companies that were in existence before 2024.

- Beneficial owner information includes full legal name, date of birth, residential street address and passport or driver's license image (picture). A beneficial owner is an individual owning 25% or more of the entity, as well as officers, board members and non-owner managers.

- Ownership and address changes will have to be reported within 30 days of occurrence.

- Penalties for non-compliance are \$500 per day and up to 2 years in prison. There are very few exceptions for small businesses, and newly formed LLC's and corporations have the biggest exposure for non-filing. Make sure you tell us about any new entities you establish. Please get this information together, add it to your calendar and make sure the forms are completed

Payroll Reporting Requirements:

- Employee personal use of company vehicles
- Employer paid health insurance for employees for W-2 purposes
- Employer paid health savings account deposits for W-2 purposes
- Employer paid childcare expenses for W-2 purposes
- Employer paid education plans & term life insurance for W-2 purposes
- Employer contributions to employee pension plans

W-2's: We will no longer reprint lost or misplaced W-2's for employees without **written consent** from the employer, this is for the protection of everyone involved. Employees will need to get theirs off of the employee portal. We will once again provide employers with a copy of each employee's W-2's via secure email.

*****Engagement Letter:** We must have your engagement letter in order for us to begin preparing your return. The Engagement letter and all other forms can be found on our website at www.burrbusiness.com

******* Do not forget to visit our **Facebook** page or our website (www.burrbusiness.com) for any current information. We welcome your business referrals to our office for professional tax preparation, payroll, bookkeeping, and sales tax services. We appreciate your continued support and look forward to serving you another year!

****TAX RETURN INFORMATION REQUIRED:** To help us prepare for the upcoming tax season, we require the following information from you, (*unless you have already provided it to us*) please remember **March 15th** is the deadline date for corporations/partnerships. **All** information must be in the office by **February 20, 2024** to guarantee completion by the file date; otherwise, an extension must be filed, and additional fees could apply.

1. _____ Enclosed Letter of Engagement, signed & returned **(Form 4) attached**
Your Corporation or Partnership tax return will not be completed without it!
2. _____ Has there been a change in ownership this year? ___ yes ___ no.
If so, provide the new owner's identification information, dates, and percentages.
3. _____ Have you opened or closed any locations this year? ___ yes ___ no.
If so, please provide that information and physical addresses.
4. _____ Please provide us a list of information with new your owners' email addresses and phone numbers.

5. _____ Copies of any new bank loans obtained during the year.
6. _____ Copies of any new leases signed during the year.
7. _____ List by date, amount and individual of any new investments made into the company this year.
8. _____ Copies of any federal or state tax correspondence received during the year.
9. _____ Copies of any equipment purchase invoices over \$2,500.00.
10. _____ Loan payoffs, by loan number, of all business loans as of December 31, 2023.
11. _____ Copies of your year-end bank reconciliation(s), bank statements and loan summaries.
12. _____ 12/31/23 Year End Balances of: *(if applies)*
 - Accounts Receivable \$ _____. **(If applies) (Form 2) attached**
 - Cost of Inventory \$ _____. Please make sure to physically count your inventory, retain the records and provide us an accurate total cost. Do not include consignments you are holding from other people in this number. In the event of an audit, you must be able to provide copies of physical count sheets, so again we are placing an emphasis upon obtaining correct year end physical inventory amounts. **This is required by law (Form 2) attached**
13. _____ Year-end summary of business activity back up, online access, hard copy, or accountants' copy.
If you use QuickBooks, it is required to have your bank account reconciled before we start and also that you restore the QuickBooks file after we complete your 2023 work so that your records match the tax returns filed with the IRS. Our office can restore and close out 2023 information if you wish for a fee starting at \$350.00.
14. _____ Sales breakdown by state and city if applicable.
15. _____ Information on any changes in ownership, stock holdings, locations, or numbers.
16. _____ All Forms 1099-K you have received.
17. _____ Minutes from the annual shareholders meeting. **(Form 1) attached**
18. _____ Capitalization Policy **(Form 3) attached**
19. _____ Please provide us with your website address: _____. Do you conduct any sales over the internet and if so please provide us with the dollar amount. Additionally, make sure you have considered sales and income tax registration, collection and filing requirements in other states.

Merry Christmas & Best Wishes for a Happy New Year from all of us at Burr Business Service

Barbara, Lisa, Jill, Chananne, Adriana, Chris