$ederburg & Associates

Income Tax & Accounting Service

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LLC and Corporation Owners—Avoid HUGE PENALTIES: New FinCEN Reporting Requirements—December 31 is Fast Approaching

Financial crimes are on the rise, as is the use of certain entities for illegal practices such as money laundering and human trafficking. In order to make it easier to identify the owners of these companies, congress passed new legislation called the Corporate Transparency Act. This is a significant new requirement for all registered LLCs or corporations, including certain inactive LLCs. For LLCs or corporations in existence as of December 31, 2023, the government now requires that at some point during 2024 you file a beneficial ownership information report. Essentially this report tells the government who ultimately owns and controls the company. Businesses in 2024 this filing is required within 90 days of the establishment of the organization. For 2025 and beyond this report is due within 30 days of new business formation. This is a one-time filing through the FinCIN reporting website, unless the beneficial ownership changes, such as when a business is sold.

Who must file?

Any business or business trust who established their business with paperwork filed through a state-level secretary of state or tribal equivalent. This includes LLCs, LPs, corporations, business trusts, and other companies.

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Walk In Tuesdays & Wednesdays(St. Peters Office Only)

As always, Tuesdays are walk-in day for those who can't get an appointment (or just like watching the fish). Beginning on Tuesday, January 28th the doors at the St. Peters office will be open from 8AM to 6PM for walk-ins. We'll provide donuts for as long as they last, and coffee all day. Owner Anna Griffin will cover this day. **There will be no walk-in Tuesday on April 15th.**

New this year, we've added an extra day of walk-ins. Tax manager Doug Osgood will take walk-ins on Wednesdays from 8AM to 6PM beginning Wednesday, January 29th.

Personal Extensions

As we have done in years past, we are happy to file your personal extension. There is no charge for this service, however, we will not automatically file your extension. If you need an extension, call us or send us an email and we'll be sure to get it filed. **Any balance due MUST be paid by April 15th regardless of extensions. There are NO extension for payments—only filing.**

More Important Updates

LLC Continued From Page 1

Who is a Beneficial Owner?

There are two criteria to determine who the beneficial owner is. If an individual meets either one of the two, they are a beneficial owner and must file. The first criteria is if the individual exercises substantial control over a reporting company. The second is if the individual owns or controls at least 25% of the ownership interests of a reporting company.

Penalties are severe. Noncompliance carries a penalty of $591 per day.

Confused about how this impacts you?

Preparers at Sederburg and Associates are ready to assist you with your filing requirement. We can help you determine if a filing requirement exists and if so, who the beneficial owners are who must be reported. Alternatively, we can also file the BOI report for you.

Save The Date

Important dates for this upcoming season:

Thursday, January 2nd—St Peters office re-opens from holiday weekend

Monday, January 27th—O'Fallon and Wentzville offices open Monday through Friday

Saturday, February 1st—All offices begin weekend hours

Monday, March 17th—Last day to timely file partnership and S-corporation returns without extensions

Tuesday, April 15th—Tax day. Last day to timely file personal returns and calendar year C-corporation, trust, and estate returns without extensions.

Saturday, May 10th—Shred day at Sederburg

Monday, September 15th—Last day to timely file partnership and S-corporation returns on extension.

Tuesday, September 30th—Last day to timely file trust and estate returns on extension.

Wednesday, October 15th—Last day to timely file personal returns and calendar year C-corporation returns on extension

Save FIVE Dollars

Please bring in at least five non-perishable food items and we'll give you $5.00 off your tax preparation fee. Last year over 1,000 items were donated to local food banks.

Congratulations Joe Whelan

On June 30th, 2024, after over twenty years with Sederburg and Associates, Joe Whelan decided to hang up his green accountant's visor. We wish him all the best.

The IRS and Your Wallet

Changes for 2024 are much fewer than for 2023. The significant changes tie back to the SECURE 2.0 Act and have to do with retirement plans. Some only apply to what employers are able to do, however a few apply to taxpayers.

Retirement Plan Adjustments. As of January 1st, 2024, emergency distributions of up to $1,000 per year allowed penalty free. This provision also allows repayment of the emergency distribution within 3 years.

Also as of January 1st, 2024, victims of domestic abuse may self-certify eligibility and may withdraw penalty free the lesser of $10,000 or 50% of the account balance. The withdrawal must occur within 1 year of the incident.

Catchup contributions for 401(k), 403(b), and government sponsored 457(b) are increased to the greater of $10,000 or 150% of the age 50 catch-up provisions. This only applies to employees aged 60, 61, 62, and 63. The contribution limits revert to age 50 catchup amounts at age 64 and beyond. This provision takes affect on January 1st, 2025.

Planning Ahead. Effective January 1st, 2026, catchup contributions will be subject to ROTH tax treatment.

The IRS will be adding yet another 1099 in 2025. The 1099-DA will report digital assets such as Bitcoin, Dogecoin, and Non-fungible Tokens (NFT). The digital asset 1099 will report acquisitions and disposals, as well as capital gains and losses.

Expanded 1099-K Program. Beginning in 2024, credit card companies and other online payment companies such as Venmo and PayPal must send 1099-K's to anyone who receives $5,000 or more in payments each year. For people who may receive payments for personal reasons (for instance reimbursement for the office lunch order via Venmo), it is possible they'll receive a 1099-K. Bring your online account transaction list with you for the tax interview so personal transactions can be adjusted off the tax return.

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Missouri State Tax Changes

Coming in 2024, Missouri will no longer tax social security benefits. In addition, the state has eliminated adjusted gross income limitations on the exemption of public pensions. They have not eliminated the maximum public pension income that can be deducted is $46,381. For taxpayers who receive both a public pension and social security, this $46,381 is reduced by the amount of social security income already eliminated.

Effective in 2025, signing bonuses paid for joining the Armed Forces and National Guard will be included in the Military Income Deduction.

A ROTH Primer Including the Backdoor Gotcha

The ROTH IRA is a useful tool to build tax free retirement income. However, the rules around ROTH contributions are fraught with dangers. All too often taxpayers fail to inform their tax professional of ROTH contributions made during the tax year which can lead to unintended tax consequences.

One of the most basic reasons for keeping your tax professional informed has to do with early ROTH distributions. Situations arise in life where taxpayers need to dip into retirement funds, including their ROTH IRA. All too many people believe that all distributions from ROTHs are tax free, but this is not necessarily true for early distributions. There are multiple rules regarding the length of time funds must remain in a ROTH before being removed penalty free. The IRS also has rules regarding the order in which funds are considered to be withdrawn. Since early non-conversion withdrawals are deemed to have removed original (re: after tax, penalty free) first and growth after, it is critical for contributions to be tracked by tax year. In an audit situation, the IRS will assume any early distribution is growth subject to both tax and penalty, forcing the taxpayer to prove otherwise.

Another reason has to do with contribution rules. Congress built in a demarcation line at which high earners are no longer able to directly contribute to the ROTH. For 2024 that limit for single filers is $161,000 with only partial contributions allowed for incomes over $146,000. For married taxpayers filing joint returns these income limits are $230,000 to $240,000.

If your ROTH is on an automatic ACH, be aware that bonuses and promotions can impact ROTH eligibility. Penalties for making ineligible contributions can be significant if these errors are not caught immediately.

There is a loophole to ROTH contribution income limits called a Backdoor ROTH. Since non-deductible Traditional IRA contributions are generally allowed regardless of income, taxpayers make non-deductible Traditional IRA contributions, then execute an IRA to ROTH conversion. Since the original contribution was non-deductible (ie: after tax), the conversion is tax free and acts as a ROTH contribution via a roundabout process.

However, the backdoor ROTH comes with a serious gotcha. There is a lesser-known IRS regulation that says basis (ie: after tax contributions) in a retirement plan must be spread out over the entirety of tax deferred amounts regardless of whether those monies are original contributions or growth. So, what this means is that a taxpayer who has money in a Traditional IRA, SEP, or Simple IRA must spread the non-deductible contribution intended for eventual conversion to a ROTH over the entire value of their tax deferred IRA accounts. This rule could easily turn what was intended as a $7,000 backdoor contribution into a $20 (or less) backdoor contribution and a $6,980 taxable conversion.

There is some good news here, however. Amounts held in tax-deferred qualified employer accounts such as 401(k)'s and 403(b)'s are not considered for this application. This is an argument for high earners to leave 401(k) funds in a previous employers account or transfer into the new employer's account if allowed by the plan administrators.

The ROTH IRA is a great way to have non-taxable income during the golden years, but making contributions, especially for high earners, can create unanticipated tax consequences which could negate any potential tax savings. Thus it is important to communicate with your tax professional about any and all ROTH contributions made.

From Anna's Desk

We were recently discussing our referral program in the office. I was reminded what wonderful clients you all are. Referrals continue to pour in because you've trusted us enough to recommend Sederburg and Associates to your friends. I want to thank all of you, our loyal clients, for your support. Since I purchased the business from John over two years ago, I've received congratulations and other well wishes from many of you. I truly appreciate your heart-felt kindness. Most of all I appreciate everyone's continued business. It's all of you who have made the transition so smooth. Our staff, who embraced the ownership change, works diligently every day to make sure you're receiving the best service possible.

We understand how stressful tax time is for people. Our staff works hard to do everything possible to put you at ease. Please be sure to call us when you are considering financial decision that may impact your tax return. Things such as starting a new business, taking money from a retirement plan, converting a traditional IRA funds to a Roth, etc.

Also, don't forget that we have tax professionals on staff year-round to answer your questions, perform bookkeeping and payroll services, provide audit assistance, respond to IRS letters, complete returns from prior years, or offer tax planning for those facing retirement or other life changes.

My associates and I are looking forward to seeing you again this coming year.

Many Happy Returns,

Anna

Anna Griffin, Enrolled Agent

Year End Tax Planning

Max out your 529 plan contributions—contributions are due by December 31st of each year. Missouri allows a deduction of up to $8,000 per taxpayer each year for 529 plan contributions.

For those taking their RMD's, ask your preparer if a Qualified Charitable Distribution makes sense for you.

If you can itemize, make your January mortgage payment in December and or make your January charitable gifts in December.

For business owners, consider making that capital expenditure in December instead of January.

Check with your preparer every year regarding changes that might help you.

Referral Drawing Winner and Program Changes

Congratulations to Timothy and Deborah Egan, winners of our annual referral drawing—they took home a new 32" flat panel television. The Egan's referred a friend to Sederburg and Associates and as a result received a $20 reward at the time and were entered into the annual drawing. Thank you Timothy and Deborah, for your faith in us.

Circumstances have forced us to make a change to this popular program. Last year issues with mail delivery resulted in many of our valued clients not receiving their referral reward. We apologize for any inconvenience this may have caused any of you. Beginning January 2025, any client who refers a new client will receive $25 off their 2025 tax preparation and be entered into a drawing for a $250 Visa gift card.

New Federal Government On-line Accounts

The Federal government, including the Internal Revenue Service, is transitioning to ID.me accounts for accessing your government services accounts. The IRS has made the switch and the Social Security Administration is also making the change-over. This means that to access your accounts on-line, you'll need to set up your ID.me account. It's usually a quick process, taking no more than 10-15 minutes, but is designed to make your Federal government account log-ins more secure. Once you have an account, you can log in the your IRS account to request transcripts, make payments, set up payment plans, and many other things. We strongly encourage our clients to establish their ID.me account and begin using it to make all of their personal tax payments. Not only is it more secure, but it is more reliable than the US Postal Service and payments can be tracked more easily.