



Business, Accounting, and Tax Year-End Tune Up



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INTRODUCTIONS



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FIRM OVERVIEW

McKonly & Asbury is a team of CPAs and Business Advisors serving clients from our offices in Camp Hill, Lancaster, Bloomsburg, and Philadelphia.

We provide **Advisory & Business Consulting, Audit & Assurance, Entrepreneurial Support & Client Accounting, Internal Audit, Professional Placement, Tax, and Technology** services to a variety of industries including:



Affordable Housing



Construction



Employee Benefit Plans



Family-Owned Business



Healthcare



Manufacturing & Distribution



Nonprofits



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HAVE YOU HEARD?



accountingTODAY

2024 **Best Firms
to Work For**

**Ranked #1
Midsized Firm!**



The graphic features a repeating pattern of the McKONLY & ASBURY logo (a square containing 'M' over 'A') on a red background. A dark blue ribbon-like shape is at the top right, and a white ribbon-like shape is at the bottom right.



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1099 REPORTING

- As a business owner you are required to issue 1099's to qualifying vendors
- W-9's
 - Best practices
 - Requesting W-9's
 - Quarterly Review
 - Mapping GL Software (if possible)
 - Retention of 4 years.
- What if the vendor refuses?
 - Documentation is key



1099 REPORTING

- Who Qualifies?
- What types of payments?
 - Services provided in the course of a trade or business (casual labor)
 - Rents and Royalties
 - Interest
- Key Accounts & Vendors



1099 REPORTING

- 1099-NEC, 1099-MISC, 1099-INT
 - Identifying which form vendors should be reported on
- Other subtleties
 - Legal Fees
 - Credit Cards
 - Settlements



1099-K UPDATES

- Reporting of sales through apps, platforms and PSE's
- 2023 and before thresholds
 - \$20,000 and 200 transactions
 - Concerns from tax professionals
- 2024 updated thresholds
 - Adjusted in phases
 - Planning \$5,000 for 2024
- Who will get a 1099-K and what to do?
 - If you made direct sales over \$5,000
 - Make sure it's accurate



INTERNAL ACCOUNTING – YEAR-END CHECKLIST

- Preparing for Q4 and year-end close
- Balance Sheet Tune-Up
 - Cash and Credit Card Transactions
 - **CASH IS STILL KING**
 - Key Questions To Ask
 - Are there uncleared transactions that need reviewed?
 - Duplicated transactions?
 - Should the item have cleared?
 - Does a check need to be reissued?
 - Unclaimed property?



INTERNAL ACCOUNTING – YEAR-END CHECKLIST

■ Balance Sheet Tune-Up, cont.

■ Fixed Assets

- Have new assets been entered?
- Depreciation recorded and useful life correct?

■ Inventory

- Detail reviewed for accuracy?
- Old, obsolete inventory written off?
- Policy?

■ Accounts receivable

- Any collectability issues?
- Reserve for AR, CECL

■ Debt

- Has debt balances been properly recorded during the year between principal and interest
- Tie to debt schedules from third parties
- Lease implementation



INTERNAL ACCOUNTING – YEAR-END CHECKLIST

- Balance Sheet Tune-Up, cont.
 - Other matters to pay attention to:
 - Prepaid schedules
 - Security deposits
 - Other miscellaneous matters
 - Equity/Tax Return Review
 - Enter prior year closing equity entries
 - Review owner distributions for proper classification and in accordance with your entity type
 - General year over year equity review
 - Comparative Review



INTERNAL ACCOUNTING – YEAR-END CHECKLIST

■ Profit & Loss

- Payroll
 - Ensure proper tie out to W-3, Medicare wages
- Meals & Entertainment
 - Ensure properly categorized for deductibility
- Charitable Contributions
 - Was the contribution to a qualified 501(c)3?
 - Proper documentation



INTERNAL ACCOUNTING – YEAR-END CHECKLIST

■ Profit & Loss

- Repairs and Maintenance
 - Is it really repairs and maintenance or an asset addition?
- Mileage or Actual?
 - Are you properly tracking business mileage?
 - Apps that can be used
- Revenue processed through Amazon, Etsy or other platforms
 - Ensure you are capturing Gross Revenue



WHAT TO DO WITH ALL NOTIFICATIONS/TAX DOCUMENTS

- Most often forgotten items
 - Capitalization policy
 - Record retention
 - Payroll Reports, Tax Correspondence, Out of Pocket Expenses
- Tax Documents
 - 1099's
 - 1098
 - W-2/W-3
 - Business Privilege/Mercantile forms



YEAR-END TAX COMPLIANCE ITEMS

- Clearly identify nondeductible expenses
- Review repairs and maintenance accounts
- Correctly report self-employed health insurance
- Follow reasonable salary requirements for S-Corp owners
- Track basis for S-Corps and partnerships



2024 DEPRECIATION

- Bonus depreciation drops to 60%
 - Additional decrease 20% per year until 2027
- Section 179 - \$1,220,000 limit, phaseout at \$3,050,000 of assets in service

What's the difference between Bonus & 179?



BONUS VS 179 DEPRECIATION

	Bonus Depreciation	Section 179 Depreciation
Depreciable Life of Qualifying Assets	20 yrs or Less & QIP	20 yrs or Less & QIP
Can create taxable loss?	Yes	No
Acquisition Threshold	None	\$3,050,000
First Year Depreciation Limit	60% of Cost Basis	Up to \$1,220,000
Election Required	Must Elect Out	Must Elect Use
Allowed for PA?	No	Yes



STATE TAX ITEMS

- PA Corporate Net Income Tax Rate
 - 8.49% for 2024
 - Drops 0.5% per year until 2031 (4.99% in 2031)
- PA follows federal rules for Section 179
- PA 529 and ABLE Account Contribution Credit (starts in 2025)
- Passthrough Entity Tax Election (PTE Election)



PTE EXAMPLE

- PA S-Corp with net taxable income of \$1.5MM
- NJ Apportionment Factor of 65%

	PTE	No PTE	Svgs/(cost)
Federal taxable income	1,500,000	1,500,000	
NJ PTE taxes	(63,570)	0	
Loss of QBI deduction	12,714	0	
Federal taxable income	1,449,144	1,500,000	
Personal Federal income taxes	536,183	555,000	18,817



TAX SAVING OPPORTUNITIES

- Purchasing depreciable assets
 - Automobiles may be limited
- Self-rentals
- Business use of home
- Cost segregation studies
- PTE Elections
- Retirement plan contributions
- Estate tax planning



OTHER YEAR-END BUSINESS MATTERS

- Changing Interest Rate Environment
 - Projected 25 to 50 basis point reduction before year-end.
 - When to consider refinancing of Debt
 - Converting short term debt to long term?
 - Cash on hand versus debt?
- Beneficial Ownership Information Reporting
 - Enforced by Financial Crimes Enforcement Network (FinCEN)
 - Required for most businesses unless it qualifies for one of the Corporate Transparency Act Exemptions
 - Due for most business entities by January 1, 2025
 - New Entities formed in 2024 should have filed within 90 days of forming



OTHER YEAR-END BUSINESS MATTERS

- Future Changes in Tax Code and Impact to Business Value
 - Most provisions of 2017 tax law changes sunset at the end of 2025.
 - Consider now cash flow impacts and overall business valuation concerns in the event these changes are not made permanent or extended.
 - How might this change how I run my business in 2025?
- Any specific industry matters that might impact your business into 2025.



Q&A

Questions?



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UPCOMING EVENTS

NOVEMBER 21 WEBINAR



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