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Important Reminders

Note: Summer Office Hours- May 1- August 31
West Chester:
Monday – Thursday 8:30- 5:00pm, Friday 8:30am- 4:00pm (The office is closed from Noon – 1pm for lunch daily)

Hamilton:
Monday- Thursday 8:00am- 5:00pm, Friday 8:00am- 4:00pm

Oxford: By Appointment Only

Upcoming dates:

May 14 - Mother's Day

May 15- Deadline for non-profit organizations to submit details to the IRS or request an extension.
Ohio CAT Filing Due

May 29 - Memorial Day

It's never too early to start thinking about cutting next year's tax bill. In this month's newsletter, read about several ideas to help lower your 2023 tax obligation. And speaking of taxes, summer work often introduces several tax wrinkles that hit young workers and seasonal workers alike. So included this month are some hints to address taxes and summer employment.

Spring is also graduation season! In addition to all those congratulation cards, why not spend a minute reviewing some classic money basics. It's a great review for both the newly graduated and for the rest of us as a reminder of how we can make our financial lives run a bit more smoothly.

Finally, there's a word or two about managing cash for your business and how the concept of separation of duties is a classic way to head off any problems.

As always, feel free to pass this information on to anyone that may find it useful and call if you have any questions or concerns.

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Calling All Taxpayers: Plan Now or Pay Later

Procrastination is easy, especially when it comes to summertime tax planning. But waiting to implement strategies to reduce your 2023 tax obligations could cost you money. Here are some suggestions to help jumpstart your midyear review:

- **Safeguard your deductions.** Ensure you can take deductions by keeping great records throughout the year. You'll need proof if you want tax breaks for things like childcare expenses, charitable contributions, gambling losses, vehicle costs and travel expenses. So create a system to keep track of these expenses.

- **Save more for retirement.** You can save more for retirement in 2023 thanks to inflation increasing annual contribution limits. You've even got time to increase the amount you set aside over the remainder of 2023. This year you can deposit up to $22,500 in your 401(k) and $6,500 into your IRA (additional catch-up contributions apply if you're 50 or older). You can also contribute to both a 401(k) and an IRA, though tax deductibility on IRA contributions may be limited depending on your income.

- **Be tax-savvy about school savings.** If you're setting aside money in a taxable account to pay for your child's school expenses, you could realize tax savings by opening a 529 education savings account. The sooner you do this, the sooner your earnings will start growing tax deferred. Your earnings will also generally be tax-free when withdrawals are used for qualified education expenses.

- **Adjust your withholdings and estimated payments.** If you haven't already, update your withholdings and estimated tax payments to reflect any changes needed since last year. Updates may be in order if you experience a big life event, such as marriage, divorce, or a new job. Overpaying your 2023 tax reduces the cash you have on hand throughout the year, and underpaying can lead to penalties and interest.

Please call if you have questions about tax planning for your 2023 tax return.

Tax Tips for Your Summer Job

Summer brings warm weather, fun outdoor activities, and new opportunities to earn some additional income. Taxes on seasonal income, however, need to be handled with care, whether they're related to your child's first job or an extra income opportunity for you. Here are some tips to help manage the taxes on your summer earnings:

1. **Take advantage of tax-free earnings limits.** If you anticipate making less than the annual standard deduction ($13,850 for single taxpayers in 2023), none of your earnings are subject to federal taxes! If possible, earn at least that amount each year to maximize your tax-free earnings. Remember, this only applies to earned income like your summer job. These rules do not apply to sources of income such as interest income or dividend income.

   Tip: *If your annual earnings will be less than the standard deduction, you can claim EXEMPT on your Form W-4. That prevents federal income taxes from being withheld from your paycheck.*

2. **Review the need to make estimated payments.** As an independent contractor, you are responsible for paying all the taxes on your earnings. This is done by making quarterly estimated tax payments to the IRS using Form 1040-ES. In addition to income taxes, contractors also need to pay a self-employment tax of 15.3% of earnings at the federal level. You may also need to pay estimated taxes at the state level.

   Tip: *Track your expenses and save receipts. By doing this, you can subtract eligible expenses like mileage and supplies from your gross earnings. Use this lower income number to calculate your self-employment tax and correctly estimate your income tax obligation.*

3. **Closely monitor tax withholdings.** As an employee, your employer withholds taxes based on what you claim on Form W-4. The tax tables used by this form to calculate your withholdings unfortunately do not account for seasonal jobs. This typically results in paycheck withholdings being too low for supplemental income workers and too high for students working during the summer.

   Tip: *If you anticipate earnings more than the standard deduction, request a revision of your withholdings. Use tools on the IRS web site, review last year's tax return, or ask for help to estimate the correct amount to withhold. From there, ask your employer to increase or decrease your federal and/or state withholdings.*

With a little tax planning, you can ensure that your summer job provides the income you are looking for without the disappointment of unexpected taxes. Please call if you have any questions.

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Graduation Season: A Great Time to Review Money Basics

With graduation season just around the corner, now is a great time to review five key money basics for both students and the entire family.

- **Understand your net worth.** Get used to making this calculation at least once per year. It equals everything you own minus everything you owe others. For young graduates, this number will probably be negative due to debts, which is ok. The key is to measure this number over time and set a goal to improve it each year. Positive net worth opens many doors, including the ability to start a business, get a first home, or even lower your car insurance bill.

- **Understand basic money mechanics.** Review and understand a paycheck, along with learning about the basics of Social Security, Medicare, and common withholdings to pay for taxes. Then review and understand basic banking products. Actively managing your cash in today's high inflation environment can yield meaningful interest income, something long missing from banks. Learn how to review and catch banking errors or fraud, and understand how your debit and credit cards work, as well as overdraft protection.

- **Carefully manage debt.** It is easy to burden yourself with a pile of debt. Credit card companies will fight each other over getting their credit card in your hands. And they love it when you carry a balance on their card. If you do carry a balance, you are often paying 2 to 5 times the cost for every purchase you make. So ALWAYS pay the credit card bill in full each month. The next debt mountain built is from student loans. While unavoidable for many, try to minimize the size of the loans as much as possible.

- **Understand basic expenses.** Food, transportation, utilities, insurance, taxes, rent, and medical expenses are just several examples of everyday expenses. The best way to understand these expenses is by creating a budget. Then, before every big decision, research the costs and talk to people that have been in your shoes, so you see how it fits into your budget. In addition to recurring expenses, plan to save three-to-six months of expenses for unforeseen emergencies.

- **Invest in yourself.** Remember, your most asset is you. So, invest in things that make you more employable and provide greater lifelong income earning potential. The best return is often one that is made to create a better future.

The world of money and finance can seem overly complicated. So, keep asking questions and seeking advice until you fully understand the mechanics of money and how it impacts your situation. You'll be amazed at how powerful that feeling can be.

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Safeguarding Your Business's Cash with Segregation of Duties

Fraud and embezzlement don't just happen at large companies. In fact, theft may be more common in small businesses because many lack internal controls that are typically in place at larger organizations. But the good news is that effective internal controls don't have to be complicated or expensive.

The best way for small businesses to battle fraud is to create a segregation of duties framework. With segregation of duties, you have one person responsible for each of three different areas: Authorization of cash expenditures, physical custody of cash and reconciliation of cash expenditures.

Here's what you need to know:

- **Segregate cash disbursements.** Only a designated, trusted manager should sign checks, authorize electronic payments, or perform fund transfers. This control has a dual purpose: management sees how the company is spending its money, and the cash disbursement function is kept separate from bookkeeping and accounting. The opportunity to embezzle is much higher if the same person signs checks, authorizes electronic transactions, and enters disbursement transactions in the accounting records. You can strengthen this function by having solid purchase order policies and having separate functions approving bills. Then the person who signs checks or authorizes transactions can ensure the payment is approved prior to disbursing the cash.

- **Segregate control of cash.** Have an owner or manager occasionally spot check incoming electronic transactions and tie them to the company bank account. If you receive physical checks, have the owner or manager open the mail before passing it on to accounting. That's one way to detect unusual transactions before they're recorded in the company books. Alternatively, you might ask someone separate from accounting to open the mail and prepare a deposit slip or prepare a daily reconciliation of all transactions.

- **Segregate reconciliations.** For companies with limited resources, a periodic review of bank reconciliations by someone outside of accounting can provide mitigating control. Non-accounting personnel performing these reviews will need to be trained. They'll need to understand the risks involved and the types of unusual or unsupported transactions needing further investigation. Cross training staff also helps to ensure continuity of operations when accounting employees take vacations or leave the company. Or better yet, bring in an outside accounting expert to conduct periodic audits of key functions.

Segregation of duties can help your company keep track of cash and help prevent theft by an employee before it happens.

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The Home Gain Exclusion: Make Sure You Qualify!

The home gain exclusion is one of the most generous tax breaks available to taxpayers, providing the ability to exclude up to $250,000 ($500,000 married) in capital gains on the sale of your personal residence. Here is what you need to know.

Background

If you own and live in your home for two of the five years before selling your home, you qualify for this capital gain tax exclusion. Here are the hurdles you must jump over to qualify for this tax break:

- **Main home.** This is a tax term with a specific definition. Your main home can be a traditional home, a condo, a houseboat, or mobile home. Main home also means the place of primary residence when you own two or more homes.
- **Ownership test.** You must own your home for two of the past five years.
- **Residence test.** You must live in the home for two of the past five years.
- **Other nuances:**
    - You can pass the ownership test and the residence test at different times.
    - You may only use the home gain exclusion once every two years.
    - You and your spouse can be treated jointly OR separately depending on circumstances.

When to pay attention

You live in your home for a long time. The longer you live in your home, the more likely you will have a large capital gain. Long-time homeowners should check to see if they have a capital gain prior to selling their home.

You have old home gain deferrals. Prior to the current rules, home gains could be rolled into the next home purchased. These old, deferred gains reduce the cost of your current home and can result in a capital gains tax.

Two homes into one. Newly married couples with two homes have potential tax liability as both individuals may pass the required tests on their own property but not on their new spouse's property. Prior to selling these individual homes, you may wish to create a plan of action that reduces your tax exposure.

Selling a home after divorce. Property transferred because of a divorce is not deemed a sale of your home. However, if the ex-spouse that retains the home later sells the home, it may have an impact on the available amount of gain exemption.

You are helping an older family member. Special rules apply to the elderly who move out of a home and into assisted living and nursing homes. Prior to selling property, it is best to review options and their related tax implications.

You do not meet the five-year rule. In some cases, you may be eligible for a partial gain exclusion if you are required to move for work, disability, or unforeseen circumstances.

Other situations. There are a few other exceptions to the home gain exclusion rules. This includes foreclosure, debt forgiveness, inheritance, and partial ownership.

A final thought

The key to obtaining the full benefit of this tax exclusion is in retaining good records. You must be able to prove both the sales price of your home and the associated costs you are using to determine any gain on your property. Keep all sales records, purchase records, improvement costs, and other documents that support your home's capital gain calculation.

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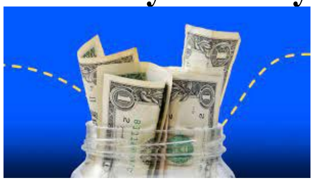

Make Your Cash Worth More

Banking tips to help you cash in

One of the side benefits of inflation is that banks are finally beginning to pay interest on your savings. Here are some ideas to help you make the most of your banked cash:

- **Understand your bank accounts.** Not all bank accounts are created equal. Interest rates, monthly fees, minimum balances, direct deposit requirements, access to ATMs, other fees and customer service all vary from bank to bank and need to be considered. Start by digging into the details of your accounts. There may be some things you've been unnecessarily living with like ATM fees or monthly account charges. Once you have a handle on your current bank, conduct research on what other banks have to offer.

- **Know your interest rates.** As a rule, the more liquid an account, the lower the interest rate. Checking accounts offer the lowest rates, followed by savings accounts, which yield lower rates than Certificates of Deposits. Maximizing your earnings is as simple as keeping your cash in accounts with higher interest rates. While the interest rate may not beat inflation, they can vary dramatically from bank to bank. So, look around. There are quality banks paying 3% or more than many other banks for the same account type.

- **Make smart moves.** There are a couple of things to consider when making transfers. First, federal law allows for only six transfers from savings and money market accounts per month. If you exceed this number, you'll be hit with a penalty for each transaction that exceeds six transfers. Second, if you invest in longer-term investments like CDs or bonds, there are penalties for withdrawing funds before the maturity date. So, make sure you can live without the funds for the duration of the term.

- **Stay diligent.** Putting together a cash plan is just the start. The key to success is to be persistent. Besides losing out on potential earnings, mismanaging your cash can result in hefty overdraft fees. The more attention you devote to your cash, the more your money will grow.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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