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# Boost Your Business: Prepare for Year-End Success

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# Today's Topics



Year-end tax planning, including credits and incentives



Inventory management



Preparing for 1099 season



Streamlining year-end close



Impact of current regulatory and legislative environment



# Presenters



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# Polling Question

Which of our topics most interest you for today's webinar?

- Year-end tax planning (including credits and incentives)
- Inventory management
- Streamlining year-end close
- Preparing for 1099 season
- Impact of current regulatory and legislative environment
- All of the above





# Year-End Tax Planning

*Including Credits and Incentives*



# Business Planning

Year	Event	Planning Action Item
Phase-out period: 2023 - 2026	<b>Bonus Depreciation</b> <ul style="list-style-type: none"><li>• 100% ended in '22</li><li>• Phase-out: 80% in '23, 60% in '24, 40% in '25, 20% in '26</li></ul>	Accelerate PP&E Purchases
	<b>R&amp;D Expensing</b> <ul style="list-style-type: none"><li>• Full expensing ended in 2021</li><li>• Post '21 requires 5 – 15 year amortization</li></ul>	None
	<b>Sec. 163(j) Interest Exp Limitation</b>	<ul style="list-style-type: none"><li>• Increase interest income using cash sweeps</li><li>• Deleverage debt load</li></ul>



# Individual Planning

Year	Event	Planning Action Item
2026	Top individual rate increases from 37% to 39.6%	<ul style="list-style-type: none"><li>• Accelerate compensation to 2025 from 2026</li><li>• Invest in tax-exempt bonds</li><li>• Use life insurance products for investing</li></ul>
	QBI 20% Deduction Eliminated	Push other deductions from 2025 to 2026
	Reduced estate tax exemption from \$13m to \$6.5m	<ul style="list-style-type: none"><li>• Complete gifting strategy by end of 2025</li><li>• Consider joint spousal gifts to maximize lifetime exemptions</li></ul>





Why are we revisiting *ERC* now?





# Paths to ERC Eligibility



# Only Two Ways to Qualify for ERC



Two ways for employer to qualify for ERC

Significant decline in gross receipts  
**Full or partial suspension due to governmental order**



Aggregate related employers



Large employer - credit only for non-service wages

# Full or Partial Suspension

## Governmental COVID Order

*Limiting commerce, travel,  
or group meetings*



## More than nominal effect

*Safe harbor: closure of  $\geq 10\%$  of business or  
 $\geq 10\%$  reduction in ability to provide goods  
and services*

*Opportunities outside of safe harbor*



# Qualifying Examples

Reduction to manufacturing capacity due to social distancing or sanitation procedures

Reducing the bed count in nursing home to create a COVID wing

Closure of restaurant dining room

Limitations on church attendance

Reduction to K-12 instruction time and elimination of activities

Elimination of elective surgeries



# Non-Qualifying Examples

Reduction in demand

Complying with recommendations, not orders (OSHA and CDC are **not** orders)

Difficulty attracting and retaining employees

Additional costs incurred to provide PPE

Nominal reductions in ability to provide goods and services

Supply chain issues...



# Supply Chain Qualifications

## Not sufficient for qualification

- Vague confirmations from suppliers about “COVID delays”
- Generic statements about bottlenecks at ports or truck driver shortages
- Incurring higher costs for critical goods/materials
- Not being able to stock/produce a few or limited number of products and/or having to increase prices

## What is required for qualification

- Governmental COVID order suspended **supplier’s operations**
- Lack of goods/materials caused employer’s operations to be suspended
- Employer not able to find alternative source for goods/materials

## Qualification only lasts for duration of order

- Residual issues after order ends do not qualify the employer





# Beneficial Ownership Information (“BOI”) Reporting Requirements





# *Beneficial Ownership* Information Reporting

- FinCen - Financial Crimes Enforcement Network
  - Department of the Treasury
- Effective 1/1/2024



Will FinCEN re-delegate to the IRS responsibility related to BOI reporting? To be determined...



# Who Is a Beneficial Owner?

**Beneficial owner:** any individual who, directly *or indirectly*, either

- Exercises **substantial control** over a reporting company, or
- Owns or controls at least 25 percent of the ownership interests

**Direct Substantial Control** can be exercised if an individual:

- Serves as a ***senior officer*** (e.g., C-Suite)
- Can ***appoint or remove any senior officer or a majority of the board***
- Has ***influence over important decisions***, such as:
  - ***Selling/leasing*** principal assets;
  - ***Reorganization/merger*** of the company;
  - ***Taking on significant debt***, or ***approval of budget***;
  - ***Compensation*** for senior officers;
  - Exercises **any other form of substantial control**.



# BOI Reporting

## Information required on report

- Name of **reporting company**
- For each **beneficial owner**
  - Name
  - Birthdate
  - Address
  - **ID information and picture of ID**

## Penalties

- Willful violations may result in a civil penalty of \$500 per day and criminal penalties of up to \$10,000 and/or 2 years in jail

## Key Dates

- Unless you have an exemption:
  - Companies created before 1/1/24 must file initial BOI reports before **1/1/25**
  - Companies created after 1/1/24 will have **30 days** after receiving notice of their creation to file their BOI initial reports





# The Inflation Reduction Act



# IRA Snapshot

Creates and modifies several renewable energy credits as well as grant programs

Creates new monetization options for tax-exempt and taxable entities

Section 6417 provides an elective pay option (i.e., cash refund) for:

- Tax-exempt organizations
- State and local governments
- Tribal governments
- Rural electric cooperatives

Section 6418 provides a transferability option for for-profit organizations

- Taxpayers can buy and sell credits for cash

Programs are still being established → expected in late 2023

Treasury has released some guidance, including temporary and proposed regulation re: monetization



# Refundable/ Transferable Credits

- **§30C Alternative fuel vehicle refueling property credit**
- **§45 Electricity produced from certain renewable resources, etc.**
- §45Q Credit for carbon oxide sequestration
- §45U Zero-emission nuclear power production credit
- §45V Credit for production of clean hydrogen
- §45W Credit for qualified commercial clean vehicles (elective pay only)
- **§45X Advanced manufacturing production credit**
- §45Y Clean electricity production credit
- §45Z Clean fuel production credit
- **§48 Energy credit**
- §48C Advanced energy project credit
- §48E Clean electricity investment credit





# Specific Credit Opportunities



# Section 30C: Alternative Fuel Vehicle Refueling Property Credit



## Qualified Property

Property used for the storage or dispensing of alternative fuel into the fuel tank of a motor vehicle propelled by that fuel

Includes fuel tanks, pumps, and other property used to transfer fuel



## Alternative Fuels

Electricity

At least 85% of its volume consists of one or more of the following:

- Compressed natural gas
- Liquified natural gas
- Liquified petroleum gas
- Natural gas
- Hydrogen
- Ethanol



# Section 30C Alternative Fuel Refueling Credit

## Credit Amount

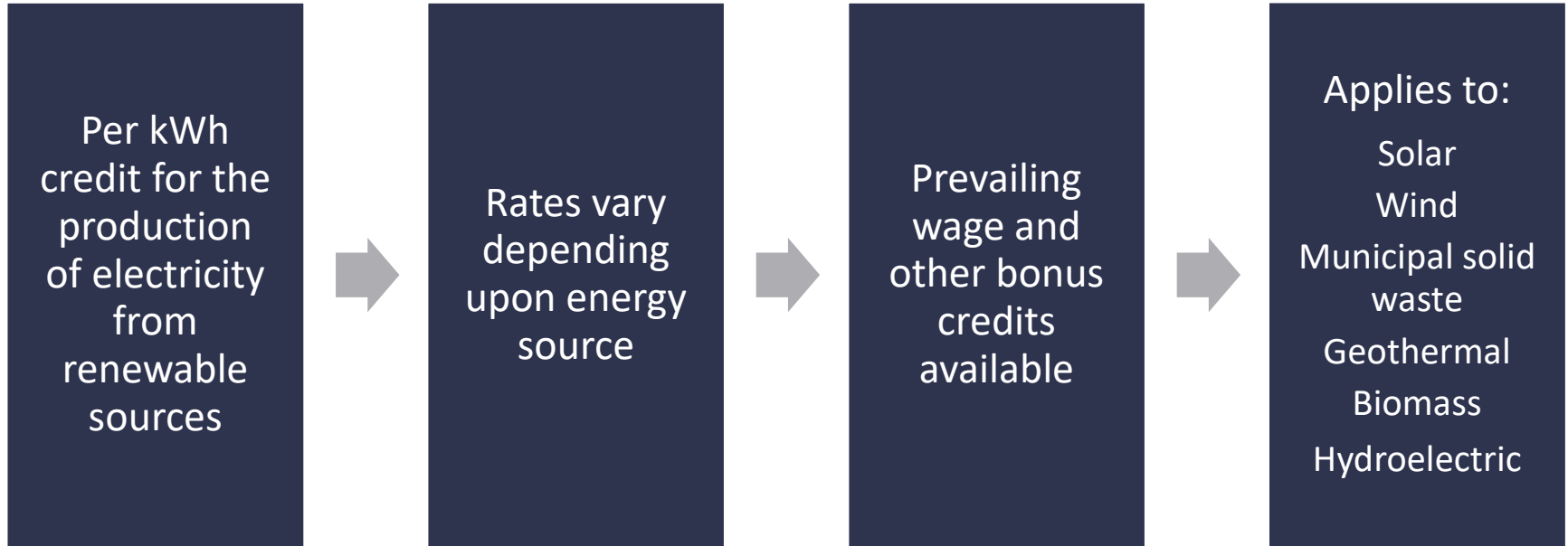
- **Non-Depreciable property**
  - 30% of the cost of any qualified property, up to \$1,000
- **Depreciable property**
  - 6% of the cost of any single item of qualified property not meeting prevailing wage, up to \$100,000
  - 30% of the cost of qualified property if prevailing wage is met, up to \$100,000

## Location, Location, Location

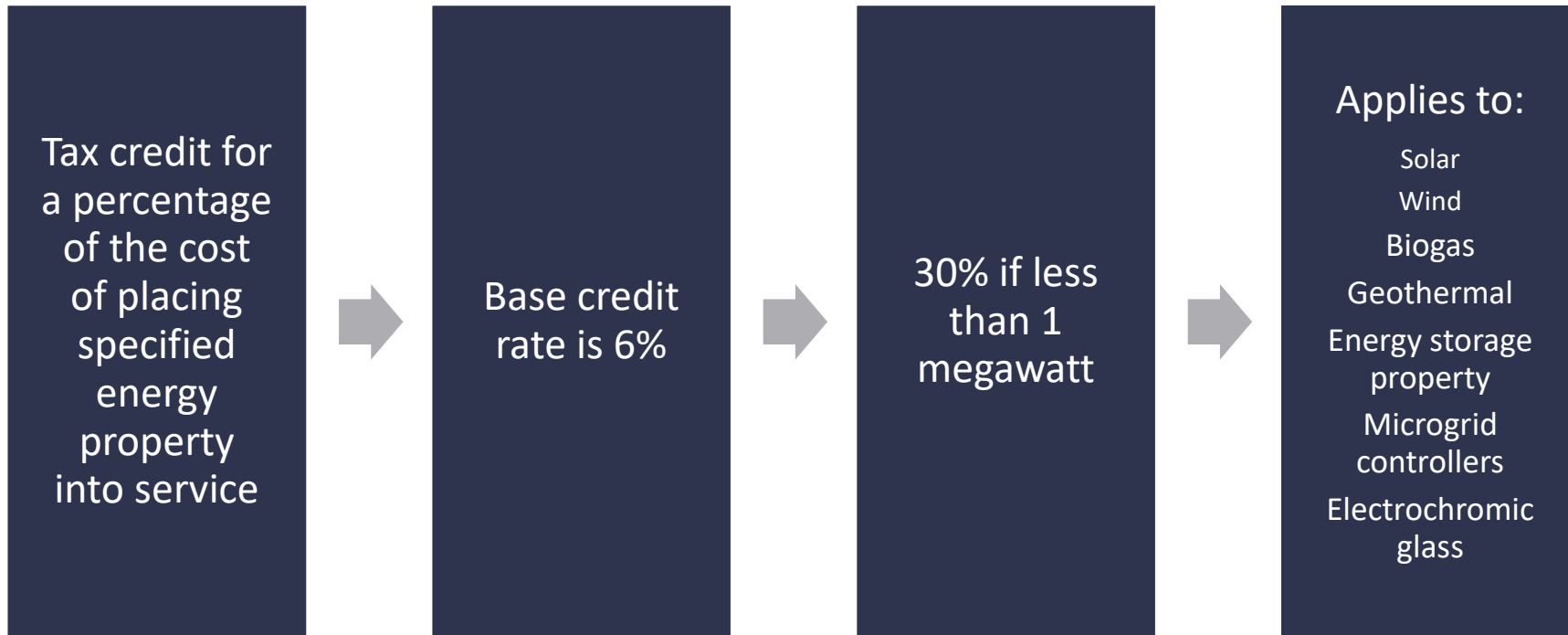
- Not an urban area
- Poverty rate of at least 20%, or
- Median family income does not exceed 80% of state's median family income



# Section 45: Electricity Produced from Renewable Resources - Production Credit



# Section 48: Energy Investment Tax Credit – Investment Credit



# Section 45X Advanced Manufacturing Production Credit



Credit for the production of certain renewable energy equipment and components



The production must be conducted in the United States and sales must be made to unrelated parties



Credit rate depends on item being produced



Refundable and transferable



# Bonus Credits



# Prevailing Wage and Apprenticeship

Increases the base credit by 5X generally

A prevailing wage is a wage the federal government requires to be paid by contractors to workers under the Davis-Bacon Act

Hourly wage plus overtime and benefits as set by the Department of Labor based on the locality where the construction, alteration, or repair is being performed

Apprentices must work a certain percentage of the total labor hours depending on when construction of begins



# Domestic Content Bonus

Projects are eligible for an additional bonus credit of 2% (10% if 5X multiplier applied) if the following conditions are met:



100% of steel and iron sourced from the US



At least 40% of manufactured components sourced from US



# Year-end Inventory Tips and Tricks

Brendan Kurvers, CPA – Principal





## Effective inventory management is **essential** for businesses to:

- Meet customer demand
- Minimize stockouts and overstocks
- Enhance cash flow

Cycle counting vs.  
Full physical counts

ABC analysis

Review of  
inventory reserves  
(obsolete and  
excess)

Clean up! Sell,  
dispose, donate,  
return

Tax considerations  
on write-offs

Communicate with  
supply chain!



# Preparing for 1099 Season

Jordan Smith, CPA – Principal



# What is an *IRS 1099 Form?*

Form 1099 is a tax form used to prepare and file information of various types of income other than wages, salaries, and tips. It notifies the IRS of payments made to vendors.



# There Is More Than One 1099 Form

- 1099-MISC: Miscellaneous Income
- 1099 NEC: Non-employee Compensation
- 1099-INT: Interest Income
- 1099-DIV: Dividends and Distributions
- 1099-C: Cancellation of Debt
- 1099-R: Distribution from Pensions, Annuities, Retirement Plans, IRAs, or Insurance Contracts
- 1099-S: Proceeds from Real Estate Transactions
- 1099-G: Government Payments
- 1099-LTC: Long Term Care Benefits
- Others: CAP, OID, PATR, SA, 1042-S, SSA-1099, 1098-T



# Entities Must File 1099s If They Have Paid

\$10 or more in  
royalties or  
dividends



\$600 or more in:

- Rents
  - Office space*
  - Parking space*
  - Equipment*
- Non-employee  
compensation (services)
  - Advertising*
  - Custodial/maintenance*
  - Professional fees*
  - Appraisers*



Remember that  
medical,  
healthcare  
payments, and  
attorney's fees  
must be reported  
on 1099 even if  
they are a  
corporation



## Form 1099-NEC

### Non-Employee Compensation

- Historically, reported in box 7 of 1099 MISC
- Changed to 1099 NEC in 2021

### 1099 NEC reports independent contractor payments

- Fees
- Commissions
- Legal Fees (NOT legal settlement payments)
- Other forms of compensation for services

## Form 1099-MISC

### Most frequently used to report rent paid (Box 1)

### 1099 MISC reports for the following payments:

- Rents
- Prizes and Awards
- Medical and health care payments
- Payments to an Attorney (settlements) – NOT attorney fees
- Crop insurance proceeds
- Fishing boat proceeds



# Examples of Non-reportable Payments

Do not issue 1099's for:

- Payments to employees (e.g., fringe benefits, travel reimbursements, bonuses, spiff, etc.)
- Products/Inventory
- Workmen's compensation
- Storage
- Utilities
- Payments to governmental agencies
- Corporations (exception – medical/healthcare payments)
- Debt payments
- Any payments to contractors by credit card, debit card, gift card, or a third-party network like PayPal, you must exclude those amounts from your 1099-MISC forms



# Why are 1099 forms *so important?*

**IRS requirement: penalties can be assessed!**

Each incorrect or missed 1099 can cost \$60 or more. The IRS uses 1099 filings to verify income reported and ensure all taxable income is accounted for.





# What Is Needed to File a 1099?

Confirm all W9s  
are received

Update your  
vendor  
information  
based on W9  
received

Review listing of  
payments made  
to date on a  
cash basis

Confirm how  
you will file  
(paper, 1099  
etc., client  
software)



# No Tax Identification Number (TIN) for a Vendor?

- Backup withholding is required for payments to persons or entities who have:
  - Not furnished a valid TIN
  - The IRS notified you that the TIN you reported is incorrect
- Withholding is flat 24%
- Begins when aggregate payments for the calendar year reach \$600
- Begins immediately if the payee was subject to backup withholding in the prior year
- Do not use generic payee numbers like 999-99-9999 if the client does not have the information for their vendor



# 2023 Filing Timeline

Form	Recipient Due Date	IRS Due Date (Paper filing)	IRS Due Date (Electronic filing)
1099-NEC	1/31/24	1/31/24	1/31/24
1099-MISC (No data in Box 8 or 10) 1099-DIV, 1099-INT	1/31/24	2/28/24	3/31/24
1099-MISC (With data in Box 8 or 10)	2/15/24	2/28/24	3/31/24





# Prioritizing Year-end Close Items and Finalizing the 2024 Budget

Jordan Smith, CPA – Principal and Brendan Kurvers, CPA –  
Principal



# What Is the Year-End Close and Why Is It Important?

## What?

- The process of classifying, reconciling, reviewing, and verifying that all financial transactions and impacts from the fiscal year are reflected in the company's ledgers.

## Why?

- The year-end close is the basis of the annual financial statements and analyzing and forecasting company operations.



# Preparing for a Successful Year-End

**#1**

Prepare a close schedule with target dates – year-end starts in the fall

**#2**

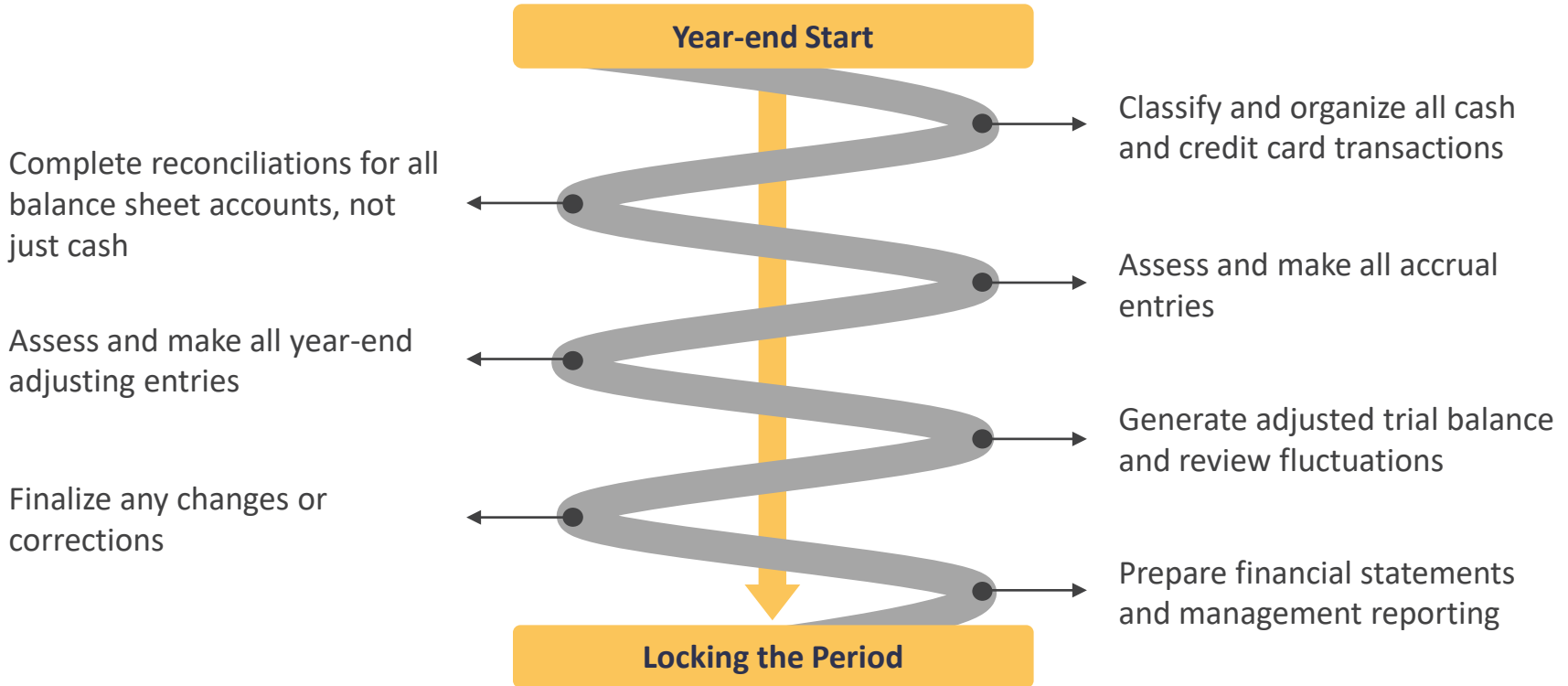
Schedule inventory and fixed asset physical counts

**#3**

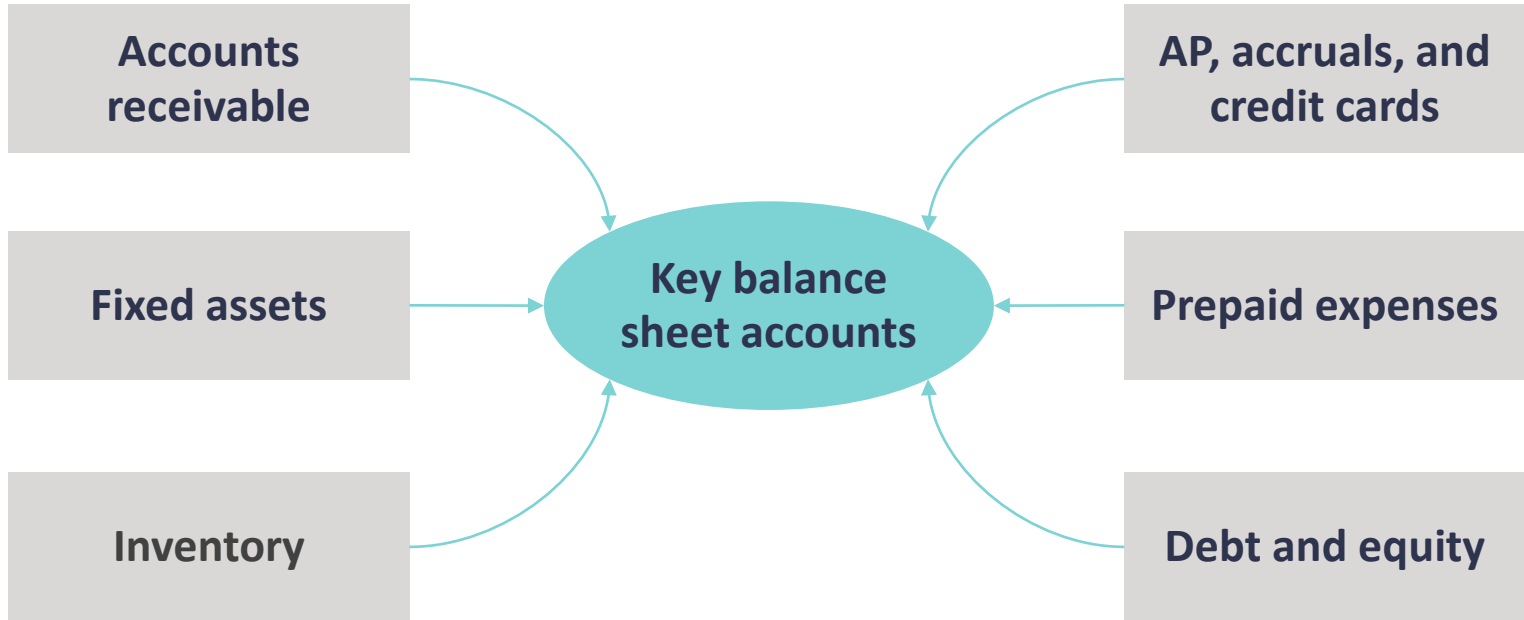
Understand key changes – e.g. new debt agreements, new revenue streams/revenue recognition impacts, etc.



# The Year-End Close Process



# Balance Sheet Reconciliations



Bank reconciliations get the most attention, but all balance sheet accounts should have a reconciliation that details balance sheet changes along with supporting documentation.





# Year-End Is Complete, Next Steps?



Perform management and board reporting – what, when, how, and why



Finalize year-end targets and incentives – e.g., sales team, annual bonus, etc.



Deliver year-end financials and related materials to your tax team



Prepare for external audit, if applicable



Incorporate into 2024 budget



# Key Steps in Finalizing Your 2024 Budget

- Incorporate final year-end actuals into your base
- Decide if year-end actuals have changed your growth assumptions, both revenue and costs



- Review market data for any last-minute changes
- True-up hiring and spending plans (you already know most of January)
- Prepare analysis and reporting along with year-end actuals



# Impact of Current Regulatory and Legislative Environment



# “The Big Three” vs. “the Big One”

## The Big Three

- Interest Deduction Limitation Relief
- Bonus depreciation
- Fix for Section 174 research and experimental expenditures

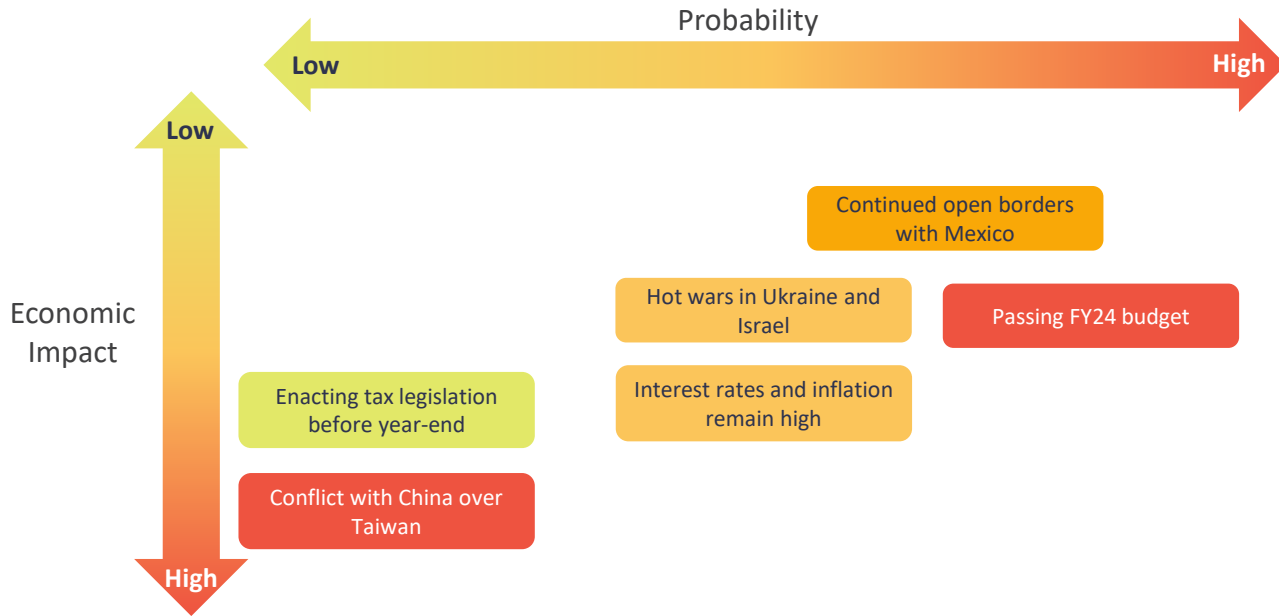
## The Big One

- Enhanced Child Tax Credit

State Tax Deduction Reform



# Policy Outlook – What Has Our Attention?



# Election 2024 – What to Expect?

## Potential Fiscal Outcomes

### Party in control of White House and Congress

Alternatives	Dems	GOP	Split
Increase taxes	Possible	Unlikely	Unlikely
Entitlement reform	Unlikely	Possible	Unlikely
Continued deficit spending	Likely	Likely	Likely

#### Dems control

- ✓ Individual income tax increases
- ✓ New wealth tax

#### GOP control

- ✓ Social security reform
- ✓ Tax cuts

#### External factors influencing tax and spend decisions...

- ✓ Expanded war in Ukraine, Israel
- ✓ GDP stagnation
- ✓ Baby boomer retirements
- ✓ Immigration
- ✓ Rising interest rates

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