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The SECURE Act: How will this change my savings?

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The Setting Every Community Up for Retirement Enhancement Act, also known as the SECURE Act, was passed by Congress in late December 2019. Here are some of the features in the new legislation that will help you save more for retirement:

Money can continue to grow tax deferred

If you turn 70½ in 2020 or later, you can keep money in a tax-deferred IRA or 401(k) for another 18 months to help the account continue growing before starting to withdraw funds. This retirement benefit is now available thanks to

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the required minimum distribution age being raised from age 70½ to age 72.

Action: Review your retirement account distribution needs and use this extra time to help make your distributions more tax efficient. For example, if you must earn an additional $10,000 before you hit the next highest tax bracket, consider pulling more taxable income out of your retirement account to take advantage of this lower rate. Or use the extra time to consider converting some funds to a Roth IRA.

Contribute to a traditional IRA at any age

While taxpayers have always been able to contribute to a Roth IRA at any age, age 70½ was the cut-off for making contributions to a traditional IRA. You can now contribute to a traditional IRA at any age provided you have earned income.

Action: This is a great opportunity for retirees working part time to consider building their retirement nest egg and lower Social Security taxable income.

Certain part-time workers can now contribute to 401(k) plans

Most part-time workers have never been eligible to participate in an employer's 401(k) plan. The law now mandates employers who maintain a 401(k) plan to offer their plan to employees who work more than 1,000 hours in one year, or 500 hours over 3 consecutive years.

Action: If interested in participating, contact your employer to determine if and when this option might be added to your company's retirement savings plan.

Use retirement funds to offset the costs of a new birth or adoption

Each parent can withdraw $5,000 out of their retirement account without the 10% penalty. The distribution, however, must still be reported as taxable income. The distribution can be repaid as a rollover contribution to an eligible defined contribution plan or IRA.

Action: If considering this alternative, make sure the withdrawal is within one year of the birth or adoption. Also retain records to prove the withdrawal is for a qualified event. This is important because how this new rule is going to be administered is still up in the air.

Watch out for auto enrollment

The government thinks you should be saving more for retirement. So the new law allows businesses to automatically transfer a greater portion of your paycheck into their retirement plan. The maximum contribution that can now be automatically deferred into your employer's 401(k) plan increases from 10% to 15%.

Action: While saving more for retirement is a great idea, this automatic participation does not account for your particular situation. Be aware of this law and independently determine what you can afford to put towards retirement. Make any adjustments if necessary. Remember, you also need to build an emergency fund and pay your bills!

Retirement planning is often put off by most of us. If nothing else, these rule changes are a reminder that now is a great time to look at how you plan for retirement, all while making the best use of tax benefits along the way.

New Law Requires Sick Leave

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The Families First Coronavirus Response Act is a new law passed in March that offers COVID-19 assistance for both employees and employers.

This new law provides businesses with fewer than 500 employees the funds to provide employees with paid leave, either for the employee's own health needs or to care for family members.

Here are the details of the new law's benefits:

Paid Sick Leave for Workers:
The new law provides employees of eligible employers two weeks (up to 80 hours) of paid sick leave at 100% of the employee's pay where the employee can't work because the employee is quarantined and/or experiencing COVID-19 symptoms and seeking a medical diagnosis.

Other Paid Leave for Workers:
Employees can receive two weeks (up to 80 hours) of leave at two-thirds the employee's pay if they need to care for someone in the following situations: The need to care for an individual subject to quarantine, to care for a child whose school is closed or childcare provider is unavailable for reasons related to COVID-19.

Extended Leave:
In some instances, an employee may receive up to an additional ten weeks of expanded paid family and medical leave at two-thirds the employee's pay.

Companies will get paid back:
Businesses who pay employees the mandatory sick and childcare leave according to the new law will get completely reimbursed through a payroll tax credit.

What it means for you
- Employees can take the necessary time to recover from being infected with COVID-19, or to care for a loved one, without fear of losing their job or salary.
- Employers can help their employees financially while navigating COVID-19 related shutdowns.

During this period of uncertainty and many financial hardships, it is important to understand your options. With new legislation and acts changing by the day, one thing clients can benefit from is staying up to date on breaking news and exploring their options.

Have questions navigating your financial plan moving forward? Give us a call.

New W-4 Creates Questions for HR

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With the major Form W-4 overhaul for 2020, you may field questions from your employees concerning their federal paycheck tax withholdings. While it's not your responsibility to provide tax advice to your employees, it's good to be prepared to help answer questions about the new IRS form. Here is a summary of the W-4 changes and answers to some common questions you might encounter.

Form W-4 was changed by the IRS in an attempt to make payroll withholdings more accurate and easier for employees to understand following the implementation of the Tax Cuts and Jobs Act. The new Form W-4 eliminates the sometimes confusing allowance system, replacing it with targeted questions, worksheets and fields for dependents, other income and anticipated deductions.Gone are days of simply increasing or decreasing allowances to get the proper withholding — making a change now requires some tax forecasting. Here are 5 common questions being frequently asked about the new Form W-4:

Do I have to submit a new form?
No. The allowances an employee has on a previous Form W-4 will continue to calculate appropriately in 2020. If changing jobs or if an employee wishes to adjust withholdings, completing the new W-4 is required.

Are ALL steps on the new W-4 required to be filled?
No. Step 1 (personal information) and step 5 (your signature) are the only required sections to complete. If your employee only completes steps 1 and 5, a withholding will be calculated under the assumption that he/she is only taking the standard deduction. If your employee has dependents or wishes to make other withholding adjustments they will need to fill out other steps in the form.

Do employees have to complete all the worksheets?
No. The worksheets are intended to provide a more accurate withholding amount. If an employee has multiple jobs or itemizes deductions, the worksheets will help the payroll department withhold the proper amount from a paycheck while accounting for these other factors. Remember, the IRS made many mistakes in trying to estimate the proper withholding under new tax rules, so the worksheets were added to reduce this problem.

Will completing the new W-4 affect refunds?
Perhaps. If an employee has the exact same tax situation (income, deductions and credits) in 2020 as they did in 2019, the tax calculation should have minimal impact on the tax refunded or owed. If there is a need to adjust withholdings at any time during 2020, however, the anticipated refund might look a lot different if an employee does not take the time to carefully complete the new Form W-4.

Should an employee adjust their withholdings?
Perhaps. This, of course, is up to the employee. It is best to coach them to speak to their tax advisor. But, if they want to maximize monthly cash flow or wish to receive a larger refund, then they need to go through the W-4 exercise. While more complicated, per the IRS, this new form allows for less guessing when it comes to forecasting their April tax bill. A simple tax forecast that factors in last year's tax situation and accounts for changes in the current year will provide clarity to the amount that needs to be withheld.Remember, to avoid an underpayment tax penalty, an employee must withhold 100% of last years tax bill or 90% of this year's tax bill. This moves to 110% of last year's bill if income is over \$150,000 (\$75,000 if married filing separate). Finally, coach your employees to double check their paycheck after any change. It is never fun to be surprised by a big tax bill because withholdings are too low.

If you have any questions about how this may affect your organziation, please feel free to reach out to me directly.

Federal Income Tax Deadline Pushed to July

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Each year, we talk about finishing up your taxes for the April 15th deadline - however, this year will be a little bit different.

The April 15 federal income tax filing due date has been moved to July 15, the U.S. Treasury Department and IRS recently announced. Here is what you need to know:

The due dates for all tax payments normally due April 15 have been pushed back 90 days to July 15, regardless of the amount owed. This applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers, as well as those who pay self-employment tax.

Payments that can be extended to July 15 include income tax payments and self-employment tax payments that are associated with the 2019 taxable year. Also extended are estimated income tax payments for the 2020 taxable year.

The 90-day extension from April 15 to July 15 is automatic. No additional forms must be filed to receive the 90 day extension.

Some thoughts
While the federal government grants you an additional 3 months to file and pay your 2019 taxes, you may wish to still file your tax return by April 15. Here are some thoughts on different situations.

You anticipate a refund.
If you are expecting a refund, file your tax return immediately. A refund right now can come in handy.

An extension might still make sense.
This change automatically extends everyone's due date to July 15. But you may still wish to file a tax extension to move your tax return date to October 15, 2020. While payments are now due on or before July 15, a traditional extension still buys you more time to file your tax return.

Watch for state announcements.
States are rolling out their own guidelines for extensions. Since most states require copies of federal tax return information, be prepared to still file by April 15. Remember, even if you wait until later to file your federal return and pay your tax, you may have to file your state and/or local return sooner.

What if I get a penalty anyway?
Affected taxpayers subject to penalties and additional tax despite this relief provision may seek a waiver.
Rest assured, as the rules and deadlines change, updates will be provided. In the meantime, please stay safe during this challenging time. If you woud like to talk about your particular tax situation, you can always reach out to me directly.

Cloud-Based Accounting Software

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With the recent COVID-19 pandemic, it is more important now than ever to have access to your accounting files remotely. Many people made the change to cloud-based softwares out of convenince, but now people are making the change out of necessity.

Knowing that you want to change is the first step, but there are plenty of things to consider before you make the leap.

Many accounting systems are now hosted on remote servers through the Cloud instead of a hard drive. The SaaS model securely host all functions of their accounting software on the internet, typically for a monthly fee. This permits users to access real-time data from any location as long as they have internet access.

QuickBooks Online and Daxko are two commonly used Cloud-based platforms used by our employees. QuickBooks Online is the predominant Cloud-based accounting software in the industry. There are even several different versions of QuickBooks Online that offer different features to its users as well as scalability to change as businesses evolve. The broad based functionality of QuickBooks Online makes it a viable Cloud-based accounting software solution for almost any industry.

In addition to QuickBooks Online, we have seen an increase in industry specific Cloud-based software. Daxko is a Cloud-based accounting software used by many health clubs and community centers. It offers multiple systems that can be used for different aspects of the client's operations, such as membership, accounting, customer relations and reporting. The use of cloud-based software offers many benefits to its consumers.

Accessibility
One of the biggest benefits of Cloud-based accounting software is its accessibility. Being able to access pertinent financial information from any location, on any device with internet access, is a huge benefit in today's fast paced business environment. QuickBooks Online even offers several mobile apps that can be accessed from your smart phone or tablet. Convenience is key when it comes to working with multiple parties, as it allows all users of the software to have on-demand access when they need it.

Cost
Most Cloud-based software is setup as a SaaS model, which charges a monthly fee to its users. These fees are based on the features used by the client. These costs are normally much less than the one-time, up front expense of traditional software. You also don't need to worry about buying multiple licenses for all of your different computers and devices. The ability to access accounting data from any location can also cut back on the cost of traveling and offer your business greater flexibility in the way it's being run. Intuit also states that "Research shows that 3 out of 4 small business get more work done with QuickBooks Online than with QuickBooks Desktop."

Updates
Traditional accounting systems require time and money to upgrade. However,

Cloud-based systems do not require installations or additional fees when an update occurs. All data is backed up automatically and updates are available in real-time. This also avoids having to purchase new software every few years. QuickBooks Online offers a Feedback feature for users to report issues, features they would like to see and to make comments on existing features they like. This feedback is used to determine what will be included in the next update.

Security
The absence of a physical location for data storage reduces the risk of data loss and access to information through theft of items such as laptops or paper documents. It is typical for Cloud-based systems to perform several routine backups each day to ensure your data's integrity. Additionally, each user can be given modified access based on their responsibilities, so they only see the information that pertains to their job responsibilities. This control over the level of access for each user provides an extra layer of security and strengthens internal controls.

By improving these aspects of software, accountants are able to work more efficiently and provide a better experience for their clients. The adaptability of access, cost, updates, and security on a Cloud-based platform creates a system that can be tailored specifically to any user's needs.

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