SAPPHIRE BOOKKEEPING & TAX SOLUTIONS LLC

NEWSLETTER

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EDITION 6

WELCOME TO OUR QUARTERLY NEWSLETTER, DEDICATED TO PROVIDING INDIVIDUALS & SMALL BUSINESS OWNERS WITH VALUABLE INSIGHTS AND STRATEGIES TO OPTIMIZE THEIR TAX SAVINGS. IN EACH EDITION, WE'LL SHARE EXPERT TIPS, PRACTICAL ADVICE, AND UPDATES ON TAX LAWS AND REGULATIONS TO HELP YOU NAVIGATE THE COMPLEXITIES OF THE TAX CODE WITH CONFIDENCE.

READ ON AS WE EXPLORE INNOVATIVE TAX-SAVING STRATEGIES, DEBUNK COMMON MYTHS, AND PROVIDE GUIDANCE TAILORED TO THE UNIQUE NEEDS OF SMALL BUSINESSES.

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YEAR-END TAX PLANNING

As we close in on the end of 2024, it's the perfect time to take proactive steps to optimize your tax situation. By implementing some strategic moves before December 31st, you can potentially reduce your tax liability. Here are a few year-end tax planning tips to consider:

1. Make Charitable Donations**

Charitable donations are not only a great way to support causes you care about, but they can also provide valuable tax deductions. Ensure that your donations are made to qualified charitable organizations and keep receipts for your records. Consider donating appreciated stock instead of cash, as this can offer a double tax benefit—avoiding capital gains tax while still receiving a charitable deduction for the fair market value.

2. Maximize Retirement Contributions

Contributing to retirement accounts is one of the most effective ways to reduce your taxable income. For 2024, you can contribute up to $6,500 to an IRA ($7,500 if you're 50 or older) and up to $22,500 to a 401(k) plan ($30,000 if you're 50 or older). These contributions not only lower your taxable income but also help you build a more secure retirement.

3. Review and Adjust Your Withholding

Check your tax withholding to ensure you're not under- or over-withheld. If you received a large refund or owed a significant amount last year, consider adjusting your W-4 form with your employer. This can help you avoid surprises when you file your taxes and ensure you're not giving the government an interest-free loan.

YEAR-END TAX PLANNING (CONT.)

4. Harvest Tax Losses

If you have investments that have declined in value, consider selling them to realize a capital loss. These losses can offset capital gains and up to $3,000 of other income ($1,500 if married filing separately). This strategy, known as tax-loss harvesting, can be particularly beneficial in reducing your overall tax burden.

5. Pay Medical Expenses**

If you have significant medical expenses, consider paying for them before the end of the year. Medical expenses are deductible to the extent they exceed 7.5% of your adjusted gross income (AGI). Bunching these expenses into one year can help you surpass this threshold and maximize your deduction.

6. Defer Income

If possible, defer income to the next tax year. For example, if you're expecting a year-end bonus, see if it can be paid in January instead of December. This can help you manage your taxable income and potentially lower your tax bracket for the current year.

7. Utilize Flexible Spending Accounts (FSAs)

If you have a Flexible Spending Account, ensure you use the funds before the year ends, as many FSAs have a "use it or lose it" policy. Some plans offer a grace period or allow you to carry over a limited amount, but it's crucial to know your plan's rules and spend accordingly.

8. Pre-pay 2025 Property Tax**

If you are taking advantage of itemizing your tax return, by doubling up on planned expenses, you can maximize your deductions. Pay your 2024 and 2025 property taxes in 2024 and both are deductible on this year’s tax return.

9. Review Your Tax Situation

Take the time to review your overall tax situation and consider any life changes that may affect your taxes, such as marriage, divorce, or the birth of a child. This review can help you identify additional tax-saving opportunities and ensure you're prepared for the upcoming tax season.

****Deductions marked with ** are only useful if you are able to itemize deductions on your return.**

Consult with your tax specialist to determine if this is your situation for 2024.

FROM GAILO'S DESK: ARE YOU UP TO DATE ON YOUR ESTIMATED TAX PAYMENTS?

As we move toward the final months of 2024, it's important to make sure you are up to date with your estimated quarterly tax payments. Estimated quarterly tax payments are prepayments of income tax made to the IRS (and often state tax authorities) based on your earnings for the year. *Businesses, especially those structured as sole proprietorships, partnerships, or S corporations, typically need to make these payments* at least four times a year according to the IRS schedule.

Why can't I worry about it at tax time next year instead?

If your estimated quarterly tax payments are not made on time or are insufficient, you may face several penalties:

1. Underpayment Penalty: The IRS charges a penalty if you do not pay enough tax during the year, either through withholding or estimated payments. This penalty is calculated based on the amount underpaid for each quarter.

2. Late Payment Penalty: If you miss the due date for your estimated payments, you may incur a late payment penalty. This penalty typically amounts to 0.5% of the unpaid tax for each month the payment is late, up to a maximum of 25%.

3. Interest Charges: The IRS also charges interest on any unpaid taxes. This interest compounds daily, adding to your overall tax liability.

4. State Penalties: Many states have similar penalties for underpayment or late payment of estimated taxes, which can further increase your financial burden.

OUR REFERRAL PARTNERS

We LOVE BlueVine! Not only do they offer 2% (or more) interest, they also make it so easy for our clients to provide true Accountant Access for us. We get read-only permissions and never have to bother you to send us a statement again! You can also pay vendors and set up ACH payments!

401GO is our choice when it comes to setting up 401Ks for our (and your!) business. You can set it up on your own or we can help! There is a tax credit available, and these contributions reduce your taxable income! Not to mention you are saving for your retirement. WAY TO GO!

FROM GAILO'S DESK: ARE YOU UP TO DATE ON YOUR ESTIMATED TAX PAYMENTS? (CONT).

To avoid these penalties, it's essential to estimate your tax liability as accurately as possible and make timely payments throughout the year. Consistently underpaying your taxes can also raise red flags with the IRS, increasing your risk of an audit. If you're unsure, consulting a tax professional can help ensure you're on the right track.

By keeping up with quarterly payments, you lessen the burden of a large tax bill at year-end. This proactive approach can reduce anxiety and help you allocate funds more effectively throughout the year.

Here are our Best Practices for Managing Estimated Quarterly Payments:

- Calculate Accurately: Use past income as a guideline or consult with your bookkeeper or tax professional to estimate your quarterly payments accurately.

- Set Reminders: Use calendar reminders to ensure you don’t miss payment deadlines, which typically fall in April, June, September, and January.

- Keep Records Organized: Maintain detailed records of your income and expenses to facilitate accurate calculations and support your payments. If you’re overwhelmed, consider hiring a bookkeeper.

-Review Regularly: Periodically assess your income projections and adjust your payments as necessary to reflect changes in your business performance.

Staying current with estimated quarterly tax payments is a vital aspect of effective business bookkeeping. By proactively managing these obligations, you can avoid penalties, improve cash flow, and enhance overall financial stability. Establishing solid bookkeeping practices not only helps ensure compliance but also supports your business’s growth and success in the long run. Sapphire is ready to support you with these responsibilities so that you can focus on growing your business.

FINAL CTA COMPLIANCE REMINDER

Do you own an LLC? Are you a partner in a partnership?
Do you own a business and report to your state?

<u>If you haven't filed yet, now is the time to get it done.</u> The BOI Report, required under the Corporate Transparency Act (CTA), is a critical filing requirement aimed at combating financial crimes and promoting transparency.

What is the BOI Report?
The BOI Report requires most corporations, limited liability companies (LLCs), and other similar entities to disclose information about individuals who own or control at least 25% of the business, or who exercise significant control over it. This includes details such as full legal names, birthdates, and government-issued ID numbers.

Filing Deadline
The deadline to file your BOI Report is fast approaching, and it's important not to miss it. For many entities, the deadline falls at the end of the calendar year, so ensure you're on top of your filing.

Was your company created before January 1, 2024?
Your deadline is December 31, 2024

Was your company created in 2024?
You have 90 days from the date of formation to file this report.

Do you plan to start a business?
If you create a business in 2025 or later, you only have 30 days to file this report.

Consequences of Not Filing
Failure to file your BOI report on time or providing inaccurate information can lead to serious consequences. This includes fines of up to $500 per day, criminal penalties, and potential audits or investigations from the Department of Treasury's Financial Crimes Enforcement Network (FinCEN).

Don't risk penalties—make sure your business complies with the BOI reporting requirements. If you're unsure whether your business needs to file or how to complete the report, seek professional advice or reach out to your tax advisor to ensure you remain compliant.

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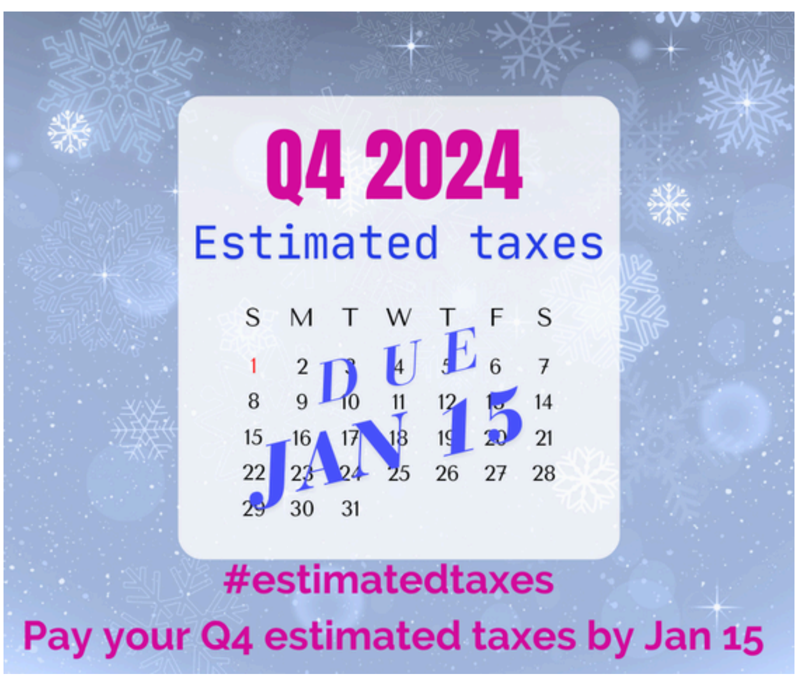
We love our clients! Referrals are always appreciated!

IMPORTANT!!
BUSINESS OWNER REMINDERS

IRS Quarter 4 is actually 4 months long! The IRS deadline for Q4 Estimated payments is **JANUARY 15, 2025.** Your quarterly payment should reflect your income from September, October, November & December.



HAVE YOU FILED YOUR BOI REPORT YET?

The Corporate Transparency Act, or CTA, is a new law that requires most existing and new corporate entities in the United States to file BOI Reports with the federal government regarding their beneficial owners. There are big penalties for ignoring this new reporting requirement, so be sure you are complying, if required.

For more details on this new law, read our article in our previous newsletter.

Book a meeting with us here so we can help you get this done before the deadline!