SAPPHIRE BOOKKEEPING & TAX SOLUTIONS

NEWSLETTER

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EDITION 2

HAVE YOU HEARD OF THE CTA? HERE IS WHAT YOU NEED TO KNOW:

What is the Corporate Transparency Act?
The Corporate Transparency Act, or CTA, was enacted on January 1, 2021. It is an expansion of anti-money laundering laws and is intended to help prevent and combat money laundering, terrorist financing, corruption, tax fraud, and other illicit activity. This new law will require most existing and new corporate entities in the United States to file reports with the federal government regarding their beneficial owners. These reports will be filed with the Department of the Treasury's Financial Crimes Enforcement Network, or FinCEN.

What does the CTA accomplish?
Congress believes there are people illegally moving money through the US by using corporate structures to hide their identities. Prior to the CTA, there were no uniform beneficial ownership information reporting requirements in the United States, which hindered law enforcement's ability to investigate entities being used for illegal purposes.

Who is required to file reports?
Reports must be filed by domestic and foreign "reporting companies," which are defined as follows:
Domestic reporting company – any entity that is a corporation, a limited liability company, or otherwise created by the filing of a document with a secretary of state or similar office.
Foreign reporting company – any entity formed under the law of a foreign country and registered to do business in any U.S. state by the filing of a document with a secretary of state or similar office.

Who is a Beneficial Owner?
This division requires certain new and existing small corporations and limited liability companies to disclose information about their beneficial owners. A beneficial owner is an individual who:
(1) exercises substantial control over a corporation or limited liability company,
(2) owns 25% or more of the interest in a corporation or limited liability company, **or**
(3) receives substantial economic benefits from the assets of a corporation or limited liability company.

CORPORATE TRANSPARENCY ACT (CONTINUED)

What information do I have to provide for this new report?

Reports will include information about
(1) the reporting company,
(2) the reporting company's beneficial owners, and
(3) "company applicants" who made the filings to create the entity.

Information about the reporting company includes:

- Full legal name
- Any trade or "doing business as" name
- Current address
- Jurisdiction of formation
- Federal taxpayer ID number

Information about individual beneficial owners and company applicants includes:

- Full legal name
- Date of birth
- Current address
- Unique identifying number and issuing jurisdiction (U.S. passport or driver's license)
- Image of document with identifying number

So what does that mean for you?

Once the reporting portal is open (expected January 1, 2024) existing businesses will have 1 year to comply with this new requirement.

New businesses formed after January 1, 2024 will have 30 days to complete this report.

Sapphire will be available to assist with this process if you would like assistance. Estimated cost to submit the report for existing businesses is $99, for new businesses, $109. Details on this will be forthcoming in 2024.

What is the penalty if I don't complete this new reporting requirement?

In the event of willful violations (by intentional act or omission), companies could be subject to civil penalties of up to $500 per day of a continuing violation and further criminal penalties of up to $10,000 and imprisonment for up to two years.

FROM GAILO'S DESK

Business Emergency Funds

Financial wellness is an important factor in the stability of any business or individual these days. The foundation of sound finances is establishing a solid emergency savings fund. You may have one of these for your personal household already to help out for those unexpected events that none of us want to plan for. But have you considered an emergency savings fund for your small business as well? That’s right. Small businesses can experience emergencies too and having an emergency fund can help you ride through rough times without sacrificing your personal savings or worse yet, closing your business.

Similar to that of a household, it’s recommended that you maintain three to six months of cash on hand to cover your operating expenses. It’s quite simple to open a savings account associated with your existing business accounts to stash away a small amount of your profits each month towards the pursuit of an emergency fund. Next time you have a computer crash or a slow month, you could rest easier knowing that you planned ahead and will come through because of the healthy financial habits you have in place.

We now offer Financial Counseling Sessions as an add-on service! If you are interested, please email: gailo@sapphirebookkeepingsolutions.com

OUR REFERRAL PARTNERS

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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!

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Inside this Issue:

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UNDERSTANDING ITEMIZED DEDUCTIONS

What does it mean to itemize and what qualifies? If you have ever heard someone say, "I itemize my taxes" that means they are filing a Schedule A on their personal 1040 tax return. But what does that mean? The standard deduction is the amount that the IRS allows everyone to deduct from their taxable income before taxing it- you can think of it as tax free income. For 2023, those amounts are: **$13,850** for single filers or Married Filing Separately, **$20,800** for Head of Household and **$27,700** for Married Filing Jointly.

However, there is a way to increase this deduction, and that is through the handful of areas allowed to be itemized. If the following categories of deductions are higher than the standard deduction, then it is usually wise to itemize and use the Schedule A.

1. **Qualified Medical/Dental Expenses** **
2. **State and Local Taxes up to $10,000**
3. **Home Mortgage Interest**
4. **Gifts to Qualified Charities**
5. **Federally Declared Disaster Losses**

***Medical Expenses must be paid post-tax, not previously reimbursed by insurance/FSA/HSA plans and must exceed 7.5% of your Adjusted Gross Income.*

For example - If you make $80,000 per year, and spent $6500 out of pocket for qualified medical expenses, the amount you can deduct is $500. (7.5% of $80,000 is $6000, so only the amount OVER that is deductible on your Schedule A and must meet all the other qualifications to be a qualified expense.