

ROGER W. HARRELSON, CPA, LLC

*CERTIFIED PUBLIC ACCOUNTANTS, BUSINESS CONSULTANTS
AND FINANCIAL SERVICES*

MAILING ADDRESS

PO BOX 2717
West Columbia, SC 29171

OFFICE LOCATION

190 Knox Abbott Drive
Suite 2-B
Cayce, SC 29033
(803) 794-2506 OFFICE
(803) 739-1647 FAX

December 19, 2023

Holiday Greetings! The upcoming tax season will soon be upon us! Our office has some **good news** to share! **Drew Welp**, whom many of you already know, is now the **sole owning Principal** of the accounting firm. Roger will continue with the firm as he transitions towards retirement over the next few years. As many of you already know, Diane Pruitt from our office has now retired, and we wish her much happiness with her new life change. With that being said, rest assured that we are fully staffed with a qualified team of professionals to help you with your needs, just as we always have in the past.

For your benefit, the following letter is a listing of current tax issues/topics affecting small businesses that you may find informative. If you like, we can discuss any of these items at your convenience.

Also, it is important to remember that our firm can provide you with a full range of **investment and insurance services** to fulfill your needs in areas such as retirement planning, annuities, estate planning, investment management, 401(k) rollovers, life insurance, and 529 college savings plans. If you like, we can discuss this when we meet, if not before.

Please visit our web site www.rogerharrelsoncpa.com for other helpful information. As always, I thank you for your continued business and wish you Happy Holidays!

Sincerely,



Roger W. Harrelson



Drew W. Welp

Securities offered through Avantax Investment ServicesSM, Member FINRA, SIPC.
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Roger W. Harrelson, CPA, LLC is not a registered broker/dealer or independent investment advisory firm.

BUSINESS CLIENTS

TAX UPDATE

For your benefit, listed below are just a few federal tax law items that may affect your business in year 2023.

- **Important Reminder** - The IRS has become much stricter with businesses that are failing to issue a **Form 1099-MISC** or **Form 1099-NEC** on time. There could be a penalty up to **\$310 per Form 1099-MISC or Form 1099-NEC** issued and filed late. Generally, a Form 1099-NEC is required to be issued to any “non-corporate” entity from which you received and paid for services of \$600 or more during the year. Generally, a Form 1099-MISC is required to be issued to any “non-corporate” entity that you paid \$600 or more to for rent and certain other income. It is **imperative** that you have each independent contractor to **complete and sign a Form W-9**. The Form 1099-MISC and Form 1099-NEC **deadline** for mailing to the recipient and the **IRS** is **January 31**.
- **Important Reminder** - For **Sub S corporations** to properly deduct **self-employed health insurance premiums paid** for an owner (a 2% or more owner of the business), the expense should be included with salary/wages paid to the owner in **Box 1 of the respective owner’s Form W-2**. There are no social security or Medicare taxes paid on these premiums.
- As in the prior year for pass-through entities (e.g., Sub S corps, partnerships, sole proprietors), you **may** be eligible for the 20% deduction on “Qualified Business Income” (QBI). In other words, pass-through businesses will only be taxed on 80% of their pass-through income if **you qualify**.
- As in the prior year, business entertainment deductions are no longer allowed (e.g., the purchase of sports tickets for business entertainment). However, for tax year 2023, a business meals deduction of 50% is allowed for business meals provided by a restaurant.
- Bonus depreciation is allowed on **80%** of the purchase cost of new or used business personal property (i.e., not real estate) acquired and placed in service during the year. The percentage will be phased out (reduced) by 20% each year. This bonus depreciation applies to used property, as well as new property.
- The maximum Section 179 deduction for year 2023 is \$1,160,000. The limit is reduced by the amount by which the cost of Section 179 property placed in service during the year exceeds \$2,890,000.