Dear Client,

2023 has been a year of minimal changes to tax laws, however, enforcement efforts by the IRS are increasing and we are particularly aware of audit activity involving ERTC (Employee Retention Tax Credits) and employees misclassified as subcontractors. These two areas deserve more attention on your part. For individuals that you treat as subcontractors, make sure that your relationship does not have your company essentially providing all their work, income, and work hours. Please feel free to discuss this with me.

Another area of increased tax exposure comes from an unexpected source: the internet. If you are selling goods or services out of state over the internet or if you have employees working out of state, you may need to file sales tax and/or income tax returns in those states. This is not something we normally prepare unless you tell us about out-of-state activity, so if this is going on in your business, please speak with us about it.

Finally, please let us remind you of these annual payroll reporting requirements:

* Employee personal use of company vehicles
* Employer paid health insurance for employees for W-2 purposes
* Employer paid health savings account deposits for W-2 purposes
* Employer paid childcare expenses for W-2 purposes
* Employer paid education plans and term life insurance for W-2 purposes
* Employer contributions to employee pension plans

Special file update information:

* Has there been a change in ownership this year? If so, please provide new owner identification information, dates, and percentages.
* Have you opened or closed any locations this year? If so, please provide that information.
* Please provide us with a list of information of your owner email addresses and cell phone numbers.
* Please provide us with your website address.

Additionally, make sure you have considered sales and income tax registration, collection, and filing requirements in other states.

Normal year-end information needed for 2023:

* Copies of any new bank loans obtained during the year
* Copies of any new leases signed during the year
* List by date, amount, and individual of any new investments made into the company this year by the owners
* Copies of any federal or state tax correspondence received during the year
* Copies of any equipment purchase over $500
* Loan payoffs, by loan number, of all business loans as of December 31
* Copies of your year-end bank reconciliation(s) and bank statements
* 12/31/22 year-end balance of:
  + Accounts receivable
  + Cost of inventory on hand
  + Accounts payable
  + Unpaid 941 deposit for December
  + Unpaid state(s) withholding deposits for December
  + Unpaid sales tax for December
* Year-end summary of business activity: back up, online access, or hard copy
* Sales breakdown by state and city if applicable
* Copies of all four quarters Form 941 and 2022 W-2s issued to employees
* All forms 1099-K received

Thank you,

Emshwiller & Emshwiller